

Registered number: 03327360

GLADSTONE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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GLADSTONE LIMITED

COMPANY INFORMATION

Directors

B A Symons
J R MacKinnon
A Morris

Company secretary

S McNally

Registered number

03327360

Registered office

Gladstone House
Hithercroft Road
Wallingford
Oxon
OX10 9BT

Independent auditors

Grant Thornton UK LLP
3140 Rowan Place
John Smith Drive
Oxford Business Park South
Oxford
Oxfordshire
OX4 2WB

GLADSTONE LIMITED

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GLADSTONE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The Directors present the Strategic Report and Financial Statements for the period ended 31 December 2016.

Business review

Gladstone Limited ("the Company") is a wholly owned subsidiary of Constellation Software Inc. a Canadian company listed on the Toronto Stock Exchange ("TSX").

As a wholly owned subsidiary, the Company benefits from the operational and financial support of its ultimate parent and intermediate parent company, Gary Jonas Computing ("Jonas"). Jonas Software is the leading provider of enterprise management software solutions to the Club, Leisure Fitness & Sports, Salon & Spa, Foodservice, Construction, Attractions, Metal Service Centres, Moving & Storage, Education, Hotel & Hospitality, Camps, Event Management, Radiology/Laboratory Information Systems, Consumer Product Licensing, Payment Processing, Dynamic Case Management and Retail industries.

Principal risks and uncertainties

The principle risk of the Company is the valuation of investments in trading subsidiaries, the largest of which is Gladstone MRM Limited. Gladstone MRM Limited's trading performance continues to strengthen year on year and continues to make advancements into its products within the UK leisure market.

Financial key performance indicators

The Company also pays close attention to its net current assets position. Jonas requires that the Company is party to a central corporate treasury function which allows the group to centrally manage its liquidity and financial risks whilst ensuring capital is deployed globally in the most effective manner. However, this can mean that locally the financial strength of the Company is not necessarily conveyed by the net current asset position when reading these financial statements in isolation. To fully understand the size and strength of the corporate group of which the Company is a part, these financial statements should be read in conjunction with those of Constellation Software Inc.

This report was approved by the board on *AUGUST 10 2017* and signed on its behalf.

Arthur Morris
Director



GLADSTONE 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 101 'Reduced Disclosure Framework'. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The principal activity of the Company during the year was that of a holding company, the subsidiary companies provide computer software and consultancy services. The company also owns the intellectual property associated with the Plus2 software and receives royalty income for the use of this product.

Results and dividends

The profit for the year, after taxation, amounted to £3,305,834 (2015 - £1,973,650).

Details on dividends received and paid during the year are disclosed further on in the notes to the financial statements.

Directors

The Directors who served during the year were:

B A Symons
J R MacKinnon
A Morris

Future developments

To company will continue to operate as a holding company.

GLADSTONE 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.

Post balance sheet events

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

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on *AUGUST 10 2017* and signed on its behalf.

A Morris
Director



GLADSTONE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GLADSTONE LIMITED

We have audited the financial statements of Gladstone Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 on page 2, 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 or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

GLADSTONE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GLADSTONE 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.

Grant Thornton UK LLP

Tracey James (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditor
Chartered Accountants
Oxford

Date: *10 August 2017*

GLADSTONE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	2,643,051	2,504,615
Gross profit		<u>2,643,051</u>	<u>2,504,615</u>
Administrative expenses		983,924	(311,024)
Other operating income	5	105,000	105,000
Operating profit	6	<u>3,731,975</u>	<u>2,298,591</u>
Interest receivable and similar income	9	915	247
Profit before tax		<u>3,732,890</u>	<u>2,298,838</u>
Tax on profit	10	(427,056)	(325,188)
Profit for the year		<u><u>3,305,834</u></u>	<u><u>1,973,650</u></u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Total comprehensive income for the year		<u><u>3,305,834</u></u>	<u><u>1,973,650</u></u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

The notes on pages 9 to 23 form part of these financial statements.

GLADSTONE LIMITED
REGISTERED NUMBER: 03327360

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets		1	1
Investments	14	11,686,612	11,686,613
		<u>11,686,613</u>	<u>11,686,614</u>
Current assets			
Debtors: amounts falling due within one year	15	8,415,302	6,001,719
Cash at bank and in hand	16	154,758	209,666
		<u>8,570,060</u>	<u>6,211,385</u>
Creditors: amounts falling due within one year		<u>(5,583,430)</u>	<u>(6,530,592)</u>
Net current assets/(liabilities)		2,986,629	(319,207)
Total assets less current liabilities		<u>14,673,242</u>	<u>11,367,407</u>
Net assets		<u><u>14,673,241</u></u>	<u><u>11,367,407</u></u>
Capital and reserves			
Called up share capital	20	4,297,039	4,297,039
Share premium account	21	1,373,026	1,373,026
Other reserves	21	3,685,258	3,685,258
Profit and loss account	21	5,317,918	2,012,084
		<u>14,673,241</u>	<u>11,367,407</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
 AUGUST 10 2017

A Morris
 Director



The notes on pages 13 to 27 form part of these financial statements.

GLADSTONE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	4,297,039	1,373,026	3,685,258	2,012,084	11,367,407
Comprehensive income for the year					
Profit for the year	-	-	-	3,305,834	3,305,834
Total comprehensive income for the year	-	-	-	3,305,834	3,305,834
At 31 December 2016	4,297,039	1,373,026	3,685,258	5,317,918	14,673,241

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	4,297,039	1,373,026	3,685,258	2,400,396	11,755,719
Comprehensive income for the year					
Profit for the year	-	-	-	1,973,650	1,973,650
Total comprehensive income for the year	-	-	-	1,973,650	1,973,650
Dividends: Equity capital	-	-	-	(2,361,962)	(2,361,962)
At 31 December 2015	4,297,039	1,373,026	3,685,258	2,012,084	11,367,407

The notes on pages 9 to 23 form part of these financial statements.

GLADSTONE LIMITED

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

1. General information

Gladstone Limited is a limited liability company incorporated in the United Kingdom. Its registered office is Gladstone House, Hithercroft Road, Wallingford, Oxfordshire, OX10 9BT.

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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of IAS 16 Property, Plant and Equipment to present a comparative reconciliation
- the requirements in IAS 24, 'Related party disclosures' (key management compensation)
- the requirements of paragraphs 134-136 of IAS 1 Presentation of Financial Statements for capital management disclosures
- the effect of future accounting standards not adopted

2.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The directors have reviewed the working capital requirements of the group for a period of at least 12 months from the anticipated date of signing of the financial statements and are satisfied that the company will be able to meet its liabilities as they fall due.

2.4 Revenue

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

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant underlying agreements.

GLADSTONE LIMITED

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

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

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:

Office equipment	-	25%
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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 Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 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.

2.9 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.

GLADSTONE LIMITED

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

2. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.11 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

GLADSTONE LIMITED

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

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

2.13 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.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the 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.

2.15 Interest income

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

GLADSTONE LIMITED

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

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

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

The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount of values may vary in certain instances from the assumption and estimates made. Changes will be recorded, with corresponding effect in the Statement of Comprehensive Income, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future profit for the purposes of determining whether or not to recognise deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes to the measurement of deferred tax assets.

In recognising provisions, the company evaluates the extent to which it is possible that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgements used to recognise provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

GLADSTONE LIMITED

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

4. Turnover

	2016 £	2015 £
United Kingdom	2,511,841	2,356,836
Rest of the world	131,210	147,779
	<u>2,643,051</u>	<u>2,504,615</u>

The whole of the turnover is attributable to its principal activity.

5. Other operating income

	2016 £	2015 £
Net rents receivable	105,000	105,000
	<u>105,000</u>	<u>105,000</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Rent - operating leases	105,000	105,000
Exchange differences	(71,120)	50,308
	<u>(71,120)</u>	<u>50,308</u>

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016 £	2015 £
Fees for audit services	5,245	5,745
Fees for non audit services	1,351	1,400
	<u>6,596</u>	<u>7,145</u>

GLADSTONE LIMITED

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

8. Employees

The Company has no employees other than the Directors, who did not receive any remuneration (2015 - £NIL).

9. Interest receivable

	2016 £	2015 £
Other interest receivable	915	247
	<u>915</u>	<u>247</u>

10. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	514,285	451,192
Adjustments in respect of previous periods	(87,655)	(126,845)
	<u>426,630</u>	<u>324,347</u>
Total current tax	<u>426,630</u>	<u>324,347</u>
Deferred tax		
Origination and reversal of timing differences	426	841
Total deferred tax	<u>426</u>	<u>841</u>
Taxation on profit on ordinary activities	<u>427,056</u>	<u>325,188</u>

GLADSTONE LIMITED

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

10. Taxation (continued)

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 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>3,732,890</u>	<u>2,298,838</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	746,578	451,777
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(123,828)	-
Capital allowances for year in excess of depreciation	2,369	-
Adjustments to tax charge in respect of prior periods	-	(126,845)
Other timing differences leading to an increase (decrease) in taxation	-	256
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	2,748,051	-
Double taxation relief	(6,561)	-
Other differences leading to an increase (decrease) in the tax charge	(2,939,553)	-
Total tax charge for the year	<u><u>427,056</u></u>	<u><u>325,188</u></u>

11. Dividends

	2016 £	2015 £
Dividends paid	-	2,361,962
	<u><u>-</u></u>	<u><u>2,361,962</u></u>

GLADSTONE LIMITED

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

12. Intangible assets

	Intellectual property £
Cost	
At 1 January 2016	1
At 31 December 2016	1
Net book value	
At 31 December 2016	1
At 31 December 2015	1

13. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 January 2016	36,621
At 31 December 2016	36,621
Depreciation	
At 1 January 2016	36,621
At 31 December 2016	36,621
Net book value	
At 31 December 2016	-
At 31 December 2015	-

GLADSTONE LIMITED

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

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	24,930,937
At 31 December 2016	<u>24,930,937</u>
Impairment	
At 1 January 2016	13,244,324
At 31 December 2016	<u>13,244,324</u>
Net book value	
At 31 December 2016	<u><u>11,686,613</u></u>
At 31 December 2015	<u><u>11,686,613</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Gladstone MRM Limited	Ordinary	100 %	Membership and facilities management E-registration and cashless payments for the education
Gladstone Education Limited	Ordinary	100 %	market Dormant
Membertrack Limited	Ordinary	100 %	Company Dormant
The Fit Club Limited	Ordinary	100 %	Company Dormant
GE. Clear Limited	Ordinary	100 %	Company Dormant
The Electronic Club Limited	Ordinary	100 %	Company Dormant
In4mation.Net Limited	Ordinary	100 %	Company
Cascade Management Consultants Limited	Ordinary	100 %	Dormant Company

GLADSTONE LIMITED

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

14. Fixed asset investments (continued)

Torstar Limited	Ordinary	100 %	Dormant Company
Microcache (Scotland) Limited	Ordinary	100 %	Dormant Company
Job4life.Net Limited	Ordinary	100 %	Dormant Company
Like4like.Net Limited	Ordinary	100 %	Dormant Company
Global Technology (Software) Limited	Ordinary	100 %	Dormant Company

All the above subsidiaries are incorporated in England and Wales.

The aggregate of the share capital and reserves as at 31 December 201 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Gladstone MRM Limited	2,237,651	125,592
Gladstone Education Limited	(1,293,507)	150,412
	<u>944,144</u>	<u>276,004</u>

The Dormant Companies above were all struck off on 13 December 2016.

GLADSTONE LIMITED

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

15. Debtors

	2016 £	2015 £
Amounts owed by group undertakings	8,396,660	5,901,380
Other debtors	16,697	97,968
Prepayments and accrued income	2	2
Deferred taxation	1,943	2,369
	<u>8,415,302</u>	<u>6,001,719</u>

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	154,756	209,665
	<u>154,756</u>	<u>209,665</u>

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	-	31,500
Amounts owed to group undertakings	4,980,673	6,013,640
Corporation tax	514,285	381,137
Taxation and social security	7,165	7,165
Other creditors	20,165	45,711
Accruals and deferred income	61,144	51,438
	<u>5,583,432</u>	<u>6,530,591</u>

Jonas requires that the Company is party to a central corporate treasury function which allows the group to centrally manage its liquidity and financial risks whilst ensuring capital is deployed globally in the most effective manner. However, this can mean that locally the financial strength of the Company is not necessarily conveyed by the net current asset position when reading these financial statements in isolation. To fully understand the size and strength of the corporate group of which the Company is a part, these financial statements should be read in conjunction with those of Constellation Software Inc.

GLADSTONE LIMITED

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

18. Financial instruments

	2016 £	2015 £
Financial assets		
Cash at bank and in hand	154,756	209,665
Amounts owed by group companies	8,396,660	5,901,380
Other debtors	111,317	97,968
Accrued income	2	1
	<u>8,662,735</u>	<u>6,209,014</u>
Financial liabilities		
Trade creditors	-	(31,500)
Amounts owed to group companies	(4,980,673)	(6,013,640)
Other creditors (incl directors loans)	(20,165)	(45,711)
Accruals and deferred income	(61,144)	(51,438)
	<u>(5,061,982)</u>	<u>(6,142,289)</u>

19. Deferred taxation

	2016 £	2015 £
At beginning of year	2,369	3,210
Charged to profit or loss	(426)	(841)
At end of year	<u>1,943</u>	<u>2,369</u>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	1,943	2,369
	<u>1,943</u>	<u>2,369</u>

GLADSTONE LIMITED

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

20. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
59,650,933 (2015 - 59,650,900) Ordinary shares of £0.01 each	596,509	596,509
41,116,996 (2015 - 41,117,000) Non - voting deferred shares shares of £0.09 each	3,700,530	3,700,530
	<u>4,297,039</u>	<u>4,297,039</u>

21. Reserves

Share premium account

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

Other reserves

The special reserve arose as a result of the de-merge of Ge.World UK and its subsidiaries in 2001.

Profit and loss account

Includes all current and prior period retained profits and losses.

22. Contingent liabilities

In the event that bank indebtedness arises in the ultimate parent undertaking, Constellation Software Inc., it is secured by means of an unlimited guarantee and debenture over the assets of the Company and other group undertakings.

23. 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	105,000	105,000
Later than 1 year and not later than 5 years	131,250	131,250
	<u>236,250</u>	<u>236,250</u>

24. Related party transactions

As permitted by FRS 101, related party transactions with wholly owned members of Constellation Software Inc. have not been disclosed.

GLADSTONE LIMITED

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

25. Controlling party

The immediate parent company is Jonas Computing (UK) Limited, a company incorporated in England and Wales.

The largest and smallest group in which the results are consolidated is that headed by Constellation Software Inc. Constellation Software Inc. is also the ultimate controlling party of the Company. The consolidated accounts of Constellation Software Inc. are available to the public and may be obtained from Gary Jonas Computing Ltd, 8133 Warden Ave, Suite 400, Markham, Ontario, Canada, L6G 1B3.