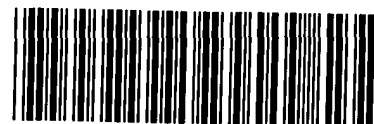


Version 1 Solutions Limited

Directors' report and financial statements for
the year ended 31 December 2017

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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COMPANY INFORMATION

DIRECTORS

Tom O'Connor (Irish) (*appointed
31 March 2017*)
Jarlath Dooley (Irish)
Andrew Langford (Irish) (*appointed
11 September 2017*)
Justin Keatinge (Irish) (*resigned
31 March 2017*)

SECRETARY

Tom O'Connor (Irish) (*appointed
31 March 2017*)
Justin Keatinge (Irish) (*resigned
31 March 2017*)

REGISTERED OFFICE

Grosvenor House,
Prospect Hill,
Ridditch,
Worcestershire,
England.

REGISTERED NUMBER OF INCORPORATION

03438874

SOLICITORS

Maples and Calder,
75 St. Stephens Green,
Dublin 2,
Ireland.

BANKERS

Lloyds Bank,
4th Floor,
25 Gresham Street,
London,
EC 2V 7HN.

AUDITOR

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin,
Ireland.

STRATEGIC REPORT
for the year ended 31 December 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

REVIEW OF THE BUSINESS

The results for the company show a pre-tax profit of £1,009,605 (2016: £538,672) for the year and turnover of £15,982,389 (2016: £9,075,338). The company has net assets of £1,910,954 (2016: £1,094,009).

The company did not pay a dividend in 2017 (2016: £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The directors have reviewed the principal risks and uncertainties currently facing the company and do not consider there to be any significant notable risks at this time. This is however under the constant consideration of the Board of Directors.

The company measures its performance on a number of key performance indicators, including customer satisfaction, staff engagement and profitability.

On behalf of the Directors



Tom O'Connor
Director

Date: 23 February 2018

DIRECTORS' REPORT
for the year ended 31 December 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The results for the year are set out on page 9.

There were no dividends paid or declared during the year (2016: £Nil).

DIRECTORS

The directors, who served throughout the period except as noted, were as follows:

Tom O'Connor (Irish) (*appointed 31 March 2017*)
Jarlath Dooley (Irish)
Andrew Langford (Irish) (*appointed 11 September 2017*)
Justin Keatinge (Irish) (*resigned 31 March 2017*)

FUTURE DEVELOPMENTS

The directors are satisfied with the level of business generated during the year and consider the present level of trading to be sustainable in the foreseeable future.

POST BALANCE SHEET EVENTS

There were no significant events since the balance sheet date which would require amendment to or disclosure in these consolidated financial statements.

AUDITOR

The auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 485 of the Companies Act 2006.

DIRECTORS' REPORT

for the year ended 31 December 2017 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 Financial Reporting Standards 101. 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

STATEMENT OF DISCLOSURE TO AUDITOR

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the Directors



Tom O'Connor
Director

Date: 23 February 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERSION 1 SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Version 1 Solutions Limited for the year ended 31 December 2017 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERSION 1 SOLUTIONS LIMITED (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERSION 1 SOLUTIONS LIMITED
(Continued)**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Dermot Quinn (Senior statutory auditor)
for and on behalf of Ernst & Young,
Chartered Accountants, Statutory Auditor

Dublin

Date: 28 February 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	<i>Note</i>	<i>2017</i> £	<i>2016</i> £
Revenue	3	15,982,389	9,075,338
Cost of sales		(11,105,756)	(6,508,502)
Gross profit		4,876,633	2,566,836
Administrative expenses		(3,867,307)	(2,031,461)
Operating profit	4	1,009,326	535,375
Finance income	6	1,662	5,728
Finance costs	7	(1,383)	(2,431)
Profit before taxation		1,009,605	538,672
Tax on profit on ordinary activities	8	(192,660)	(102,846)
Profit for the financial year		816,945	435,826

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	<i>Share capital</i> £	<i>Retained earning</i> £	<i>Total</i> £
At 1 January 2016	20,000	638,183	658,183
Profit for the year	–	435,826	435,826
Total comprehensive income for the period	–	435,826	435,826
At 31 December 2016	20,000	1,074,009	1,094,009
Profit for the year	–	816,945	816,945
Total comprehensive income for the year	–	816,945	816,945
At 31 December 2017	20,000	1,890,954	1,910,954

VERSION 1 SOLUTIONS LIMITED**STATEMENT OF FINANCIAL POSITION
at 31 December 2017**

		2017	2016
	Note	£	£
FIXED ASSETS			
Intangible assets	9	690,710	812,550
Property, plant and equipment	11	100,510	168,227
		<u>791,220</u>	<u>980,777</u>
CURRENT ASSETS			
Work in progress	12	1,185,691	512,122
Trade and other receivables	13	3,646,532	2,783,518
Cash at bank and in hand		5,116,688	2,334,038
		<u>9,948,911</u>	<u>5,629,678</u>
TOTAL ASSETS		<u>10,740,131</u>	<u>6,610,455</u>
CAPITAL AND RESERVES			
Called up share capital	17	20,000	20,000
Retained earnings		1,890,954	1,074,009
Total equity		<u>1,910,954</u>	<u>1,094,009</u>
CURRENT LIABILITIES			
Trade and other payables	14	8,700,506	5,304,703
Current tax liability		51,506	73,194
		<u>8,752,012</u>	<u>5,377,897</u>
PROVISIONS FOR LIABILITIES			
Deferred tax liabilities	15	77,165	138,549
TOTAL EQUITY AND LIABILITIES		<u>10,740,131</u>	<u>6,610,455</u>

The financial statements were approved by the Board of directors and authorised for issue on 23 February 2018.

Signed on its behalf by:



Tom O'Connor
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable company law.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

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

- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions. The company's immediate parent company is Version 1 Software UK Limited a company incorporated in the United Kingdom. The ultimate parent company is Sionnach Limited, a company incorporated in Guernsey.

The largest and smallest group in which the results of the company are consolidated are Sionnach Limited and Version 1 Software UK Limited, respectively. Where required, equivalent disclosures are given in the group accounts of Version 1 Software UK Limited. The group accounts of Version 1 Software UK Limited are available to the public and can be obtained at the company's registered office.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.2 *Going concern*

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

1.3 *Revenue*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

1.4 *Property, plant and equipment*

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Hosting equipment	33% straight line
Land and buildings Leasehold	33% straight line
Fixtures, fittings and equipment	20% and 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 *Impairment of tangible and intangible assets*

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.5 *Impairment of tangible and intangible assets (continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 *Financial assets*

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit or loss (FVTPL), which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.7 *Financial assets (continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 *Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.9 *Equity instruments*

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

1. ACCOUNTING POLICIES (Continued)

1.10 *Taxation*

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The following judgements have had the most significant effect on the amounts recognised in the financial statements:

Functional currency assessment

The functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operates. IAS 21 The Effects of Changes in Foreign Exchange Rates ("IAS 21") requires the Company to consider certain indicators when determining the functional currency of each company. Management applies judgement to determine the functional currency of each company based on the respective company's relevant facts and circumstances. Management has determined that the functional currency of the Company and reporting currency is the British Pound.

Assessment of impairment of non-financial assets

Indicators of impairment are assessed at each reporting date. Where an indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to profit or loss in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Management has determined that there are no indicators of impairment of its non-financial assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(continued)*Revenue recognition*

The Company's contracts have different terms based on the scope, deliverables and complexity of the engagement, the terms of which frequently require us to make judgments and estimates in recognizing revenues. The Company has many types of contracts, including time and materials contracts, fixed-price contracts and contracts with features of both of these contract types. In addition, some contracts include incentives related to costs incurred, benefits produced or adherence to schedules that may increase the variability in revenues and margins earned on such contracts. Management conduct rigorous reviews prior to signing such contracts to evaluate whether these incentives are reasonably achievable.

The Company recognise revenues from technology integration consulting contracts using the percentage-of-completion method of accounting, which involves calculating the percentage of services provided during the reporting period compared with the total estimated services to be provided over the duration of the contract. The Company's contracts for technology integration consulting services generally span 3 months to 3 years. Estimated revenues used in applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. This method is followed where reasonably dependable estimates of revenues and costs can be made. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and estimated costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenues and income and are reflected in the Financial Statements in the periods in which they are first identified.

If our estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated total direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in Cost of services and classified in Other accrued liabilities.

3. REVENUE

	2017 £	2016 £
An analysis of the company's revenue is as follows:		
Turnover	15,982,389	9,075,338
Interest income	1,662	5,728
	<u>15,984,051</u>	<u>9,081,066</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

4. OPERATING PROFIT

	2017 £	2016 £
Operating profit is stated after charging:		
Directors' remuneration		
Emoluments paid to Directors in respect of qualifying services	-	-
Directors' pension	-	-
Auditor's remuneration (including reimbursements):		
(a) audit of the financial statements	8,750	9,010
(b) other assurance services	-	-
(c) tax advisory services	4,400	3,276
(d) other non-audit services	875	1,638
Loss / (gain) on foreign currency	32,006	(19,683)
Operating lease costs – land and buildings	101,582	64,278
Amortisation of intangibles	121,790	81,227
Depreciation – owned assets	91,681	94,344

5. EMPLOYEES

The average monthly numbers of employees (including non-executive directors) were:

	2017 No.	2016 No.
Employees	59	54

Employment costs:

	2017 £	2016 £
Wages and salaries	4,565,424	4,344,070
Social security costs	528,217	238,041
Pension costs	165,505	197,362
Other compensation	-	247
	5,259,146	4,779,720

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

6. FINANCE INCOME

	2017 £	2016 £
Bank deposits	<u>1,662</u>	<u>5,728</u>

7. FINANCE COSTS

	2017 £	2016 £
Interest on bank overdrafts and loans	<u>1,383</u>	<u>2,431</u>

8. INCOME TAX EXPENSE

	2017 £	2016 £
Corporation tax:		
Current year	268,954	150,487
Prior year over provision	(14,910)	(32,208)
	<u>254,044</u>	<u>118,279</u>
Deferred tax:		
Current year	(23,150)	(15,433)
Prior year over provision	(38,234)	-
	<u>(61,384)</u>	<u>(15,433)</u>
Total tax expense	<u>192,660</u>	<u>102,846</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)
8. INCOME TAX EXPENSE (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2017 £	2016 £
Profit on ordinary activities before tax	1,009,605	538,672
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19.00% (2016: 20.00%)	191,825	107,734
<i>Effects of:</i>		
Expenses not deductible in determining taxable	39,063	22,045
Capital allowances in excess of depreciation	11,922	4,463
Income taxed at higher rate	2,994	812
Prior year over provision in respect of corporate tax	(14,910)	(32,208)
Prior year over provision in respect of deferred tax	(38,234)	-
Tax charge for the year	192,660	102,846

On 2 July 2013, the corporation tax rate of 20% was substantively enacted, and enacted on 17 July 2013 when Finance Bill 2013 received Royal Assent. On 8 July 2015, the UK government announced as part of the Budget that the rate of corporation tax would be reduced by 1% on 1 April 2017, from the 20% rate enacted as part of Finance Act 2013. It was also announced that a rate of corporation tax of 18% would apply from 1 April 2020. The 19% rate and the 18% rate were substantively enacted on 26 October 2015, and enacted on 18 November 2015 when Finance (No. 2) Bill 2015 received Royal Assent. At Budget 2016, the UK government announced a further reduction to the corporation tax rate for the year starting 1 April 2020, setting the rate at 17%.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

9. INTANGIBLE ASSETS	Goodwill £	Customer relationships £	Total £
<i>Cost:</i>			
At 1 January 2017 and 31 December 2017	284,577	609,200	893,777
<i>Amortisation and impairment:</i>			
At 1 January 2017	-	81,277	81,277
Amortisation	-	121,790	121,790
31 December 2017	-	203,067	203,067
<i>Net book value:</i>			
At 31 December 2017	284,577	406,133	690,710
At 31 December 2016	284,577	527,973	812,550

The addition to goodwill during the prior year related to the acquisition of Uranna Limited (previously known as DSP Newco 1 Limited), see note 10 for further details. The Company assesses the goodwill at each CGU based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 12.3%. It was concluded that the value in use exceeded the carrying amounts and management did not identify an impairment of goodwill.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

10. BUSINESS COMBINATIONS AND ACQUISITIONS

Acquisition of DSP Newco 1 Limited

On 29 April 2016, Version 1 Solutions Limited's parent company (Version 1 Software UK Limited) acquired 100% of the voting shares of DSP Newco 1 Limited, an unlisted company based in Britain and providing consultancy services.

Subsequent to the acquisition date the entire trade and assets of DSP Newco 1 Limited were transferred to Version 1 Solutions Limited at nil gain or loss. DSP Newco 1 Limited is now dormant.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of DSP Newco 1 Limited as at the date of acquisition were:

Fair value recognised on acquisition

Assets	£000
Property, plant and equipment	4
Intangible assets	609
Deferred tax	(116)
Work in progress	39
Trade and other receivables	24
Trade and other payables	(68)
Total identifiable net assets at fair value	492
Goodwill arising on acquisition	285
Purchase consideration transferred	777

Assets acquired and liabilities assumed (continued)

Cash flow on acquisition
£000

Net cash acquired with the subsidiary	–
Cash paid	(777)
Net cash flow on acquisition	(777)

Included in the £0.3 million of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include an assembled workforce. None of the goodwill is expected to be deducted for corporation tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017 (Continued)

10. BUSINESS COMBINATIONS AND ACQUISITIONS (continued)

Acquisition of DSP Newco 1 Limited (continued)

The fair value of trade receivables amounted to £7,500. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

Transaction costs of £92,446 were borne by another Group undertaking.

From the date of acquisition to 31 December 2016, the DSP business contributed £1,358,767 of revenue. As the trade and assets of DSP were subsumed into Version1 Solutions Limited subsequent to acquisition it is impracticable to calculate the profit after tax since acquisition. Prior to acquisition by Version 1 the trade of DSP Newco 1 Limited was included within the overall trade of DSP and therefore it is impracticable to calculate the revenue from continuing operations and profit as if the combination had taken place from the beginning of the year.

11. PROPERTY, PLANT AND EQUIPMENT

	<i>Hosting Equipment</i> £	<i>Land and Buildings Leasehold</i> £	<i>Fixtures, fittings & equipment</i> £	<i>Total</i> £
<i>Cost:</i>				
At 31 December 2016	-	22,323	888,804	911,127
Additions	23,883	-	81	23,964
At 31 December 2017	23,883	22,323	888,885	935,091
<i>Depreciation:</i>				
At 31 December 2016	-	22,323	720,577	742,900
Charge for the year	3,401	-	88,280	91,681
At 31 December 2017	3,401	22,323	808,857	834,581
<i>Carrying amount:</i>				
At 31 December 2017	20,482	-	80,028	100,510
At 31 December 2016	-	-	168,227	168,227

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

12.	WORK IN PROGRESS	2017 £	2016 £
	Work in progress (at cost)	1,185,691	512,122
	Total work in progress at the lower of cost and net realisable value	1,185,691	512,122

13.	TRADE AND OTHER RECEIVABLES	2017 £	2016 £
	Trade receivables	2,704,348	2,474,113
	Other receivables	96,935	183,039
	Amounts due from fellow group undertakings	845,249	114,599
	Withholding tax	-	11,767
		3,646,532	2,783,518

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14.	TRADE AND OTHER PAYABLES	2017 £	2016 £
	Trade payables	616,722	691,199
	Amounts due to fellow group undertakings	3,243,978	1,772,052
	Accruals	2,278,508	676,569
	Other taxes and social security	151,908	129,596
	VAT	913,255	408,361
	Deferred income	1,496,135	1,626,926
		8,700,506	5,304,703

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

15. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £	2016 £
Balance at beginning of the period	138,549	38,234
Charged to profit or loss	(61,384)	(15,433)
Acquisition of business	–	115,549
	<u>77,165</u>	<u>138,549</u>

The deferred tax included in the statement of financial position is as follows:

	2017 £	2016 £
<i>Deferred tax liabilities</i>		
Customer relationships	77,165	100,315
Other timing differences	–	38,234
	<u>77,165</u>	<u>138,549</u>
Total deferred tax liabilities	<u>77,165</u>	<u>138,549</u>

16. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The total costs charged to income in respect of defined contribution plans is £165,505 (2016: £197,362), of which £54,541 (2016: £29,256) was unpaid at 31 December 2017.

17. SHARE CAPITAL	2017 £	2016 £
<i>Ordinary share capital</i>		
<i>Authorised:</i>		
200,000 ordinary shares of 10p each	<u>20,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
200,000 ordinary shares of 10p each	<u>20,000</u>	<u>20,000</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017 (Continued)

18. COMMITMENTS

There were no capital commitments in existence at the year end.

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	2017	2016
	£	£
Within one year	9,161	40,938
Between two and five years	–	26,588
	<u>9,161</u>	<u>67,526</u>

The rentals payable in respect of leases of land and buildings are subject to rent review at intervals as specified in the lease agreements.

19. APPROVAL OF FINANCIAL STATEMENTS

The directors approved the financial statements on 23 February 2018.