

Financial Statements Dovetail Systems Limited

For the Year Ended 31 December 2015

Registered number: 05942721

THURSDAY



LD7 *L5B7IDAH* #82
14/07/2016
COMPANIES HOUSE

Dovetail Systems Limited
Registered number:05942721

Company Information

Directors	M D Coen R P Little W J Rockett E R Little S C Husk D C Little E K Little
Company secretary	W J Rockett
Registered number	05942721
Registered office	2 Minster Court Mincing Lane London EC3R 7BB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

Dovetail Systems Limited
Registered number:05942721

Contents

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Notes to the financial statements	9 - 19

Strategic Report

For the Year Ended 31 December 2015

Business review

The principal activity of the company is the design, development, installation and support of enterprise software for the processing of wholesale payments and other transactions and associated information flows for operations of global, regional and domestic banks.

The results and financial position of the company are as shown in the financial statements. The year to 31 December 2015 saw a drop in trading performance. Revenue for the year was £10.4m, a 4% decrease on 2014 (£10.8m). Operating costs for the year decreased to £11.3m (2014: £12.7m), resulting in operating loss for the year of £869k (2014: £1.9m). Gross margin for the year increased to 32.5% (2014: 30%).

The directors believe the company must continue to focus on revenue growth and show an increasing proportion of software licensing from new product enhancements to meet the needs of new clients.

The directors review both financial and non financial key performance indicators to measure performance of the company by reference to budgets and forecasts. Growth in overall revenue, software revenue, sales order backlog, gross margins and cash projections are the financial KPIs used by the company. The non financial KPIs used by the company relate to employee numbers, which are monitored against hiring plan and measurement of staff utilization.

Principal risks and uncertainties

The company operates in a competitive industry where the largest single source of competition is from proprietary systems used by potential customers. There is also significant competition from other providers of software and related services. As a result, the future success of the company will continue to depend on its ability to provide new product enhancements that meet the needs of the marketplace and respond to changes in customer demands and new regulatory requirements.

The company continues to build a strong recurring revenue base from annual maintenance fees, although it is difficult to predict when large deals will be implemented and initial license fees will be won. Both revenue and order backlog are expected to continue to grow strongly, but will reflect unevenness in timing of large wins.

The directors seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The directors consider that the company has sufficient loan facilities with its bankers and review cash flow forecasts to monitor liquidity.

This report was approved by the board on **14 June 2016** and signed on its behalf.

M D Coen
Director



Directors' Report

For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the company during the year was the provision of computer software and related services.

Results and dividends

The loss for the year, after taxation, amounted to £868,857 (2014 - loss £1,954,456).

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were:

M D Coen
I D Jackson (resigned 30 November 2015)
R P Little
W J Rockett
E R Little
S C Husk
D C Little
E K Little

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless 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; 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.

Directors' Report

For the Year Ended 31 December 2015

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

Post balance sheet events

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

Auditors

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

This report was approved by the board on **14 June 2016** and signed on its behalf.

M D Coen
Director





Independent Auditor's Report to the Members of Dovetail Systems Limited

We have audited the financial statements of Dovetail Systems Limited for the year ended 31 December 2015, which comprise the Statement of comprehensive income, the Statement of financial position, the 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.



Independent Auditor's Report to the Members of Dovetail Systems Limited

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP".

Christopher Smith (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London
Date: 20/6/16

Statement of Comprehensive Income

For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover		10,402,227	10,766,524
Cost of sales		(7,025,922)	(7,444,640)
Gross profit		3,376,305	3,321,884
Administrative expenses		(4,245,162)	(5,228,485)
Operating loss		(868,857)	(1,906,601)
Interest receivable and similar income	7	-	10
Loss before tax		(868,857)	(1,906,591)
Tax on loss	8	-	(47,865)
Loss for the year		(868,857)	(1,954,456)
Other comprehensive income:			
Total comprehensive income for the year		(868,857)	(1,954,456)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the income statement.

The notes on pages 9 to 19 form part of these financial statements.

Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	9	94,794	72,561
		<u>94,794</u>	<u>72,561</u>
Current assets			
Debtors: amounts falling due within one year	10	8,880,720	3,330,786
Cash at bank and in hand	11	67,098	89,062
		<u>8,947,818</u>	<u>3,419,848</u>
Creditors: amounts falling due within one year	12	(11,658,750)	(5,239,690)
Net current liabilities		<u>(2,710,932)</u>	<u>(1,819,842)</u>
Total assets less current liabilities		<u>(2,616,138)</u>	<u>(1,747,281)</u>
Net liabilities		<u>(2,616,138)</u>	<u>(1,747,281)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(2,616,139)	(1,747,282)
Shareholders' deficit		<u>(2,616,138)</u>	<u>(1,747,281)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2016



W J Rockett
Director

The notes on pages 9 to 19 form part of these financial statements.

Statement of Changes in Equity

As at 31 December 2015

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	1	(1,747,282)	(1,747,281)
Comprehensive income for the year			
Loss for the year	-	(868,857)	(868,857)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(868,857)	(868,857)
Total transactions with owners	-	-	-
At 31 December 2015	1	(2,616,139)	(2,616,138)

Statement of Changes in Equity

As at 31 December 2014

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014	1	207,174	207,175
Comprehensive income for the year			
Loss for the year	-	(1,954,456)	(1,954,456)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(1,954,456)	(1,954,456)
Total transactions with owners	-	-	-
At 31 December 2014	1	(1,747,282)	(1,747,281)

The notes on pages 9 to 19 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 22.

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

The individual accounts of the company have adopted the following disclosure exemptions:
the requirement to present a statement of cash flows and related notes
financial instrument disclosures, including:

- categories of financial instruments,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks.

The following principal accounting policies have been applied:

1.2 Going concern

The directors have assessed that the company has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing the financial statements, based on continued support from the parent entity, Dovetail Group Limited. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of its principal activities supplied during the year, exclusive of Value Added Tax and trade discounts.

In respect of long term contracts and contracts for on going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long term contracts and contracts for on going services is recognised by reference to the stage of completion.

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:

Rendering of services

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.4 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.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

The estimated useful lives range as follows:

Fixtures & fittings	-	33% straight line
Computer equipment	-	33% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account 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 period until the date the rent is expected to be adjusted to the prevailing market rate.

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of comprehensive income.

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 Income statement 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 Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

1.7 Pensions

Defined contribution pension plan

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.8 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

1.9 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.

1.10 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.

1.11 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.

1.12 Interest income

Interest income is recognised in the Income statement using the effective interest method.

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

There are no material judgements or estimates in preparation of these financial statements.

3. Analysis of turnover

For the financial year to 31 December 2015, 80% of turnover arose in Europe and the other 20% in the UK and US.

Notes to the Financial Statements

For the Year Ended 31 December 2015

4. Operating loss

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets	63,212	113,112
Foreign exchange loss	301,740	177,632
Defined contribution pension cost	276,022	271,436
Auditor's remuneration	16,400	16,400
Auditor's remuneration - non-audit	1,200	1,200
Operating lease rentals	244,114	203,782
	<u>244,114</u>	<u>203,782</u>

5. Staff costs

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

	2015 £	2014 £
Wages and salaries	6,198,893	5,933,781
Social security costs	746,575	773,775
Cost of defined contribution scheme	276,022	271,436
	<u>7,221,490</u>	<u>6,978,992</u>

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

	2015 No.	2014 No.
Management	4	4
Administration	70	71
	<u>74</u>	<u>75</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

6. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	525,038	452,000
Company contributions to defined contribution pension schemes	17,350	16,737
	<u>542,388</u>	<u>468,737</u>

During the year retirement benefits were accruing to 2 directors (2014 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £200,000 (2014 - £200,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2014 - £10,000).

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2015 amounted to £NIL (2014 - £NIL).

7. Interest receivable

	2015 £	2014 £
Other interest receivable	-	10
	<u>-</u>	<u>10</u>

8. Taxation

	2015 £	2014 £
Corporation tax		
Adjustments in respect of previous periods	-	47,865
	<u>-</u>	<u>47,865</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>47,865</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21.5% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	<u>(868,857)</u>	<u>(1,906,591)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2014 - 21.5%)	(186,804)	(409,917)
Effects of:		
Adjustments to tax charge in respect of prior periods	-	47,865
Unrelieved tax losses carried forward	<u>186,804</u>	<u>409,917</u>
Total tax charge for the year	<u>-</u>	<u>47,865</u>

9. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2015	309,192	151,778	460,970
Additions	85,445	-	85,445
At 31 December 2015	<u>394,637</u>	<u>151,778</u>	<u>546,415</u>
Depreciation			
At 1 January 2015	289,826	98,583	388,409
Charge owned for the period	60,791	2,421	63,212
At 31 December 2015	<u>350,617</u>	<u>101,004</u>	<u>451,621</u>
Net book value			
At 31 December 2015	<u>44,020</u>	<u>50,774</u>	<u>94,794</u>
At 31 December 2014	<u>19,366</u>	<u>53,195</u>	<u>72,561</u>

Notes to the Financial Statements

For the Year Ended 31 December 2015

10. Debtors

	2015 £	2014 £
Trade debtors	1,659,836	2,466,601
Amounts owed by group undertakings	6,879,990	566,324
Other debtors	29,670	41,343
VAT repayable	26,269	-
Prepayments and accrued income	284,955	256,518
	<u>8,880,720</u>	<u>3,330,786</u>

11. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	<u>67,098</u>	<u>89,062</u>

12. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	373,186	321,006
Amounts owed to group undertakings	8,830,948	2,922,491
Taxation and social security	224,059	240,988
Other creditors	36,975	41,195
Accruals and deferred income	2,193,582	1,714,010
	<u>11,658,750</u>	<u>5,239,690</u>

13. Deferred taxation

No deferred tax asset has been recognised as a result of trading losses as it is unlikely the losses will be utilised in the short term. The potential losses available for carry forward are £2.7m (2014: £1.8m)

Notes to the Financial Statements

For the Year Ended 31 December 2015

14. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

15. Reserves

Profit & loss account

Includes all current and prior period retained profit and losses.

16. Contingent liabilities

There were no contingent assets or liabilities at 31 December 2015 or 31 December 2014.

17. Capital commitments

The company had no capital commitments at 31 December 2015 or 31 December 2014.

18. Pension commitments

The company operates a personal contribution pension scheme for the benefit of the employees. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £276,022 (2014: £271,436).

Notes to the Financial Statements

For the Year Ended 31 December 2015

19. Operating lease commitments

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015	2014
	£	£
Expiry date:		
Within 1 year	301,586	100,000
Later than 1 year and not later than 5 years	119,481	-
	<u>421,067</u>	<u>100,000</u>

20. Related party transactions

The company is a wholly owned subsidiary of Dovetail Group Limited, a company registered in Ireland. The amount owed by Dovetail Systems Limited to Dovetail Group Limited is included under 'amounts owed to group undertakings' in Creditors: amounts falling due within one year.

Amounts totalling £nil (2014: £nil) were invoiced to the company by Hawkley Corporation Limited, a company controlled by Mr R Little, in respect of consultancy services and directors fees for Mr R Little.

At 31 December 2015, trade creditors due within one year included £nil (2014: £nil) due to M D Coen, a director of the company, in respect of reimbursement of expenses incurred.

21. Ultimate parent undertaking and controlling party

Ultimate parent undertaking and controlling party

22. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.