

Financial Statements Dovetail Systems Limited

For the year ended 31 December 2013



Registered number: 05942721

Company Information

Directors	M D Coen I D Jackson R P Little W J Rockett E R Little S C Husk (appointed 29 April 2013) D C Little (appointed 1 April 2013) E K Little (appointed 1 April 2013)
Company secretary	W J Rockett
Registered number	05942721
Registered office	5th Floor 51 Moorgate London EC2R 6BH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

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Strategic Report

For the year ended 31 December 2013

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 2013 saw a strong trading performance. Revenue for the year was £13.4m, a 6% increase on 2012 (£12.7M). Operating costs for the year increased to £13.2M (2012: £12.5M), resulting in operating profit for the year of £0.2M, a flat increase from 2012 (£0.2M). Gross margin for the year reduced to 36% (2012: 45%).

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 13 JUNE 2014 and signed on its behalf.

M D Coen
Director



Directors' Report

For the year ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

Principal activities

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

Results

The profit for the year, after taxation, amounted to £164,941 (2012 : £193,965).

Directors

The directors who served during the year were:

M D Coen
I D Jackson
R P Little
W J Rockett
E R Little
S C Husk (appointed 29 April 2013)
D C Little (appointed 1 April 2013)
E K Little (appointed 1 April 2013)

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

Directors' Report

For the year ended 31 December 2013

Disclosure of information to auditor

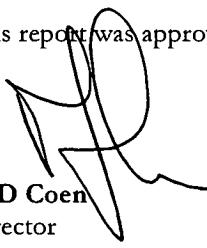
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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.

Auditor

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 13 JUNE 2014 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 2013, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and 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 (APB'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/apb/scope/private.cfm.

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 2013 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.

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
Chartered Accountants
Statutory Auditor
Date: 13/6/14

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	1,2	13,373,071	12,657,035
Cost of sales		<u>(8,557,783)</u>	<u>(6,986,030)</u>
Gross profit		4,815,288	5,671,005
Other operating charges		<u>(4,617,330)</u>	<u>(5,474,962)</u>
Operating profit	3	197,958	196,043
Interest payable and similar charges	6	<u>(33,017)</u>	<u>(6)</u>
Profit on ordinary activities before taxation		164,941	196,037
Tax on profit on ordinary activities	7	<u>-</u>	<u>(2,072)</u>
Profit for the financial year	12	<u>164,941</u>	<u>193,965</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

Balance Sheet

As at 31 December 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	8		154,058		215,194
Current assets					
Debtors	9	4,353,416		3,456,688	
Cash at bank and in hand		636,024		468,781	
		<u>4,989,440</u>		<u>3,925,469</u>	
Creditors: amounts falling due within one year	10	(4,936,323)		(4,098,429)	
Net current assets/(liabilities)			<u>53,117</u>		<u>(172,960)</u>
Net assets			<u>207,175</u>		<u>42,234</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		207,174		42,233
Shareholders' funds	13		<u>207,175</u>		<u>42,234</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 June 2014



W J Rockett
Director

The notes on pages 8 to 15 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

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 applicable accounting standards.

1.2 Going concern

The directors are confident that the company will continue to be profitable in the foreseeable future (at least 12 months and a day from the date of signing the financial statements), and with a review of the future business plan it is appropriate to prepare these accounts on a going concern basis.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 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.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

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

1.6 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 2013

1. Accounting Policies (continued)

1.7 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 Profit and loss account.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.9 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.

1.10 Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

The whole of the turnover is attributable to the provision of computer software and related services.

All turnover arose within the United Kingdom and Europe.

Notes to the Financial Statements

For the year ended 31 December 2013

3. Operating profit

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

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	111,910	98,268
Auditor's remuneration	15,500	14,400
Auditor's remuneration - non-audit	1,200	1,100
Operating lease rentals:		
- other operating leases	115,977	115,945
Foreign exchange loss	36,956	136,714
	<u>281,543</u>	<u>466,432</u>

4. Staff costs

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

	2013 £	2012 £
Wages and salaries	5,245,133	4,215,566
Social security costs	670,818	584,251
Other pension costs	216,310	178,192
	<u>6,132,261</u>	<u>4,978,009</u>

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

	2013 No.	2012 No.
Management	4	4
Administration	59	46
	<u>63</u>	<u>50</u>

Notes to the Financial Statements

For the year ended 31 December 2013

5. Directors' remuneration

	2013	2012
	£	£
Remuneration	<u>466,913</u>	<u>382,333</u>
Company pension contributions to defined contribution pension schemes	<u>17,000</u>	<u>15,583</u>

During the year retirement benefits were accruing to 2 directors (2012 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £224,553 (2012 - £242,100).

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 (2012 - £10,000).

6. Interest payable

	2013	2012
	£	£
On bank loans and overdrafts	<u>33,017</u>	<u>6</u>

7. Taxation

	2013	2012
	£	£
UK corporation tax charge on profit for the year	<u>-</u>	<u>2,072</u>

Notes to the Financial Statements

For the year ended 31 December 2013

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 20%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	164,941	196,037
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 20%)	38,349	39,207
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,974	311
Capital allowances for year in excess of depreciation	8,868	5,101
Utilisation of tax losses	-	(42,547)
Tax charge to be recognised in the next financial year	(47,865)	-
Marginal relief	(1,326)	-
Current tax charge for the year (see note above)	-	2,072

8. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 January 2013	277,577	101,004	378,581
Additions	-	50,774	50,774
At 31 December 2013	277,577	151,778	429,355
Depreciation			
At 1 January 2013	132,302	31,085	163,387
Charge for the year	78,099	33,811	111,910
At 31 December 2013	210,401	64,896	275,297
Net book value			
At 31 December 2013	67,176	86,882	154,058
At 31 December 2012	145,275	69,919	215,194

Notes to the Financial Statements

For the year ended 31 December 2013

9. Debtors

	2013	2012
	£	£
Trade debtors	4,201,811	3,069,332
Other debtors	15,536	18,394
Prepayments and accrued income	136,069	368,962
	<u>4,353,416</u>	<u>3,456,688</u>

10. Creditors:

Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	365,818	404,137
Amounts owed to group undertakings	1,366,377	1,495,393
Corporation tax	-	2,072
Other taxation and social security	254,299	209,692
Other creditors	33,115	117,704
Accruals and deferred income	2,916,714	1,869,431
	<u>4,936,323</u>	<u>4,098,429</u>

11. Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

12. Reserves

	Profit and loss account £
At 1 January 2013	42,233
Profit for the financial year	<u>164,941</u>
At 31 December 2013	<u>207,174</u>

Notes to the Financial Statements

For the year ended 31 December 2013

13. Reconciliation of movement in shareholders' funds

	2013	2012
	£	£
Opening shareholders' funds/(deficit)	42,234	(151,731)
Profit for the financial year	164,941	193,965
Closing shareholders' funds	207,175	42,234

14. Contingent assets/liabilities

There were no contingent assets or liabilities at 31 December 2013 or 31 December 2012.

15. Capital commitments

The company had no capital commitments at 31 December 2013 or 31 December 2012.

16. 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 £249,034 (2012: £178,192).

17. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	£	£
Expiry date:		
Between 2 and 5 years	115,000	115,000

18. 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 (2012: £60,000) 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 2013, trade creditors due within one year included £4,173 (2012: £nil) due to M D Coen, a director of the company, in respect of reimbursement of expenses incurred.

Notes to the Financial Statements

For the year ended 31 December 2013

19. Ultimate parent undertaking and controlling party

The ultimate parent company of the company is Dovetail Group Limited, a company registered in Ireland.