

Urdgrup Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 07520049

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Urdgrup Limited

Report and financial statements for the year ended 31 December 2017

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Directors

M B Durham
A Bird
N M Caplan
I J Eckert
S Feigen
W Gresty (appointed 23rd May 2017)
C Hodges (resigned 23rd May 2017)
A C T Lord
G V Sherren

Secretary and registered office

A C T Lord

Chancery Exchange
10, Furnival Street
London EC4A 1AB

Company number

07520049

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Urdgrup Limited

Strategic report for the year ended 31 December 2017

Chairman's message

2017 review

The focus for 2017 was on sustainable profitable growth, as evidenced by recurring revenue from continuing operations growing by 19% to £3,211k with year-end annualised recurring revenue (ARR) of £3,657k, an increase of 29% from 2016. Recurring revenue represented 65% of total revenue, up from 64% in 2016. Client churn continues to be low as both new and old clients are migrated onto Webvision Cloud, our cloud-based software-as-a-service (SaaS) solution which incorporates both the Webvision content management system (CMS) and Advance functionality into a new Customer Experience Management (CXM) platform.

The business saw a return to profit at EBITDA and is well positioned to build upon this from a scalable business base. Investment continues to be made in R&D to ensure that our technology is optimised for entry into new markets whilst offering enhanced revenue-generating opportunities for our clients, as well as GDPR compliance.

Business model

Abacus Software Limited (trading as Abacus eMedia Ltd) enables content owners to successfully translate digital strategy into digital business. We help organisations to realise their digital potential by developing great content, maximising audience engagement and monetising their content.

Recruit

A decision was taken by the Board to dispose of the Recruit business, which was successfully sold in June 2017 to Giant Precision Ltd for all cash consideration. The business was profitable and cash generative, with a strong track record of winning and retaining local government clients. However, it was non-core to the rest of Abacus, with a separate client base and staff and hence it was considered that its future growth potential would be better realised outside of Abacus.

Recruit generated revenue of £116k in 2017 and contributed £76k to profits. A full year of revenue and cost in respect of Recruit was recognised in 2016: it generated revenue of £356k with £233k of operating profit.

Going Concern Basis

The Company's business activities, together with the principal risk factors likely to affect its future development, performance and position are set out in the Strategic Report.

BGF, a shareholder and loan note holder in the Company, has provided a letter of support to indicate that the Group enjoys the continued support of BGF and BGF will not call in any repayable debts unless the Company is in a position to repay them.

A number of principal risk factors could potentially affect the Company's results and financial position. In particular the current economic climate creates uncertainties over the level of demand for the Company's products and services. The Group adopts an extensive budgeting process in forecasting its trading results and cash flows and updates these forecasts to reflect current trading on a regular basis.

The Company's net debt, banking covenants and liquidity risk are shown in the Notes to the Accounts.

Urdgrup Limited
Strategic report
for the year ended 31 December 2017 (continued)

The Company sensitises its projections to reflect possible changes in trading performance and cash conversions. These forecasts and projections show that the Company is expected to be able to operate within the level of its current facility and meet its covenant requirements for a period of one year from the date of the signing of the Company's financial statements for the year ended 31 December 2017.

After making enquiries, the Directors have a reasonable expectation that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Key performance indicators of Abacus Software Limited	2017	2016
Turnover (£'000) – continuing operations	4,915	4,224

As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies.

Recurring revenue (£'000) - continuing operations	3,211	2,932
Proportion of recurring revenue (%)	65%	64%

The proportion of recurring revenue is a measure of the strategy of rolling out scalable repeat revenues after migration onto our platforms

Annualised recurring revenue at the end of December (£'000) – continuing operations	3,657	2,832
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Principal risks and uncertainties

It is important to ensure we have effective and proportionate processes in place to control and manage risks faced by the Company. A number of factors could potentially affect the Company's operating results and financial position, which have been identified by an assessment of their material impact and relative likelihood and are described here. They are categorised as financial, commercial, reputational or regulatory risks, and policies and procedures have been implemented to assist with risk management.

This section describes the principal risk factors that the Directors believe could materially affect the Company, but this is not an exhaustive list as other risks may arise or existing risks may materially increase in the future.

Financial

- **Currency risk:** the vast majority of the Company's revenue is invoiced in Pounds Sterling, therefore the Company has minimal exposure to currency risk and no hedging instruments are deemed to be required.
- **Liquidity and cash flow risk:** the Directors believe that the Company has sufficient working capital and growth funding in place for the foreseeable future with which to both develop the business and maintain day-to-day trading activities. The Company continues to enjoy the support of our major investor, the Business Growth Fund.

Urdgrup Limited

Strategic report for the year ended 31 December 2017 (*continued*)

Commercial

- **Reliance on or loss of key customers may reduce demand for the Company's services:** in recent years, more public sources of free or relatively inexpensive publishing software have become available, particularly through the internet. To mitigate the risk, the Company continuously monitors changes in the market place and seeks feedback from both existing and potential customers, in order to keep the product offering relevant and competitive. In addition, the Company has a wide client base, with no single client representing more than 5% of total revenue.
- **The Company relies on the experience and talent of its senior management and on its ability to recruit and retain key employees.** The Company offers competitive salaries and many employees are also shareholders in the Company. Staff are given work which challenges and motivates them, as evidenced by the low levels of staff turnover.

Reputational

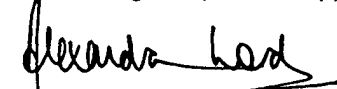
- **Breaches of the Company's information security systems or other unauthorized access to its sensitive information could adversely impact the Company's reputation.** This could also result in litigation and regulatory breaches. The Group regularly invests in improving information security to protect the integrity, confidentiality and availability of its data against attack and has a number of procedures and processes in place to mitigate this.

Regulatory

- **The Company is subject to regulation regarding the protection and use of personal data.** The Company monitors ongoing changes to data protections laws and seeks to implement best practice in order to ensure that the appropriate procedures and protections are in place. PCI and BACS compliance is a requirement for the Bureau in order to process credit card transactions and an external audit is undertaken every three years. PCI Compliance is a standing matter at all Board Meetings. The Group is working towards achieving ISO 27001 in 2018 and the software supports GDPR requirements both internally and for those of our clients.
- **The Company relies on achieving and maintaining quality accreditations, such as ISO 9001, as minimum requirements for some clients.** There is a risk that if we do not pass these regular quality audits, then clients may be lost and it will not be possible to win certain new clients. To mitigate this risk, there is a dedicated member of staff responsible for risk and compliance.

Approval

This Strategic Report was approved by order of the Board on 30th April 2018.



Alexandra Lord

Secretary

Urdgrup Limited

Report of the directors for the year ended 31 December 2017

Directors

The Directors of the Company throughout the year were:

A Bird
N M Caplan
M B Durham
I J Eckert
W Gresty (appointed May 2017)
S Feigen
C Hodges (resigned May 2017)
A C T Lord
G V Sherren

The Company has in place qualifying third party directors' indemnity insurance.

Research and development

The Group continues to invest in research and development. The amount of development costs capitalised in the year was £538,886 (2016: £644,493).

Existence of branches of the Company outside of the United Kingdom

The Company has no branches outside of the United Kingdom.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The Group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate.

Employee involvement

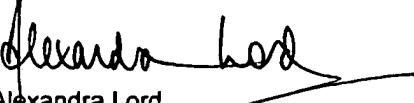
The Group maintains an HR intranet site and Company handbook that provide employees with information on matters of concern to them as employees.

Auditors

All of the Directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the Group's auditor is unaware.

Approval

This Directors' Report was approved by order of the Board on 30th April 2018.


Alexandra Lord

Secretary

Urdgrup Limited

Statement of directors' responsibilities

Directors' responsibilities

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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland'. 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 judgements 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.

Urdgrup Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF URDGRUP LIMITED

Opinion

We have audited the financial statements of Urdgrup Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's 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.

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. We are independent of the Group and the Parent 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.

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 Group or the Parent 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.

Urdgrup Limited

Independent auditor's report (*continued*)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Urdgrup Limited

Independent auditor's report (*continued*)

Auditor's responsibilities for the audit of the financial statements

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.

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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Nicole Martin (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
1 May 2018

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

Urdgrup Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover – continuing operations		4,915,324	4,224,104
Turnover – discontinued operations		115,727	356,093
Turnover	3	5,031,051	4,580,197
Cost of sales		(682,600)	(581,657)
Gross profit		4,348,451	3,998,540
Administrative expenses		(4,919,602)	(5,064,754)
Operating loss – continuing operations		(647,401)	(1,279,037)
Operating profit – discontinued operations		76,250	232,569
Operating loss	4	(571,151)	(1,066,214)
Other interest receivable and similar income	5	90,819	65,949
Interest payable and similar charges	8	(301,613)	(219,531)
Profit on disposal of discontinued operations		500,203	-
(Loss) on ordinary activities before taxation		(281,742)	(1,219,796)
Taxation on loss on ordinary activities	9	98,474	175,294
Total comprehensive loss for the year		(183,268)	(1,044,502)

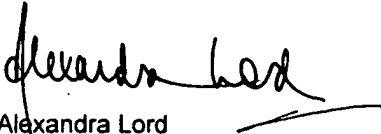
The notes on pages 16 to 28 form part of these financial statements.

Urdgrup Limited

Consolidated Balance sheet at 31 December 2017

Company number 07520049	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	10		2,054,158		2,329,736
Tangible assets	11		15,147		74,505
Investments	12		33,333		33,333
			<u>2,102,638</u>		<u>2,437,574</u>
Current assets					
Debtors (all due within one year; 2016: £1,567,845)	13	1,555,637		1,592,845	
Cash at bank and in hand		559,103		973	
		<u>2,114,740</u>		<u>1,593,818</u>	
Creditors: amounts falling due within one year	14	<u>(4,415,245)</u>		<u>(2,263,990)</u>	
Net current (liabilities)			<u>(2,300,505)</u>		<u>(670,172)</u>
Total assets less current liabilities			<u>(197,867)</u>		<u>1,767,402</u>
Creditors: amounts falling due after more than one year	15		<u>(1,349,234)</u>		<u>(3,191,468)</u>
Provisions for liabilities	16		<u>(337,082)</u>		<u>(276,849)</u>
Net (liabilities)			<u>(1,884,183)</u>		<u>(1,700,915)</u>
Capital and reserves					
Called up share capital	19		2,024,670		2,024,670
Share premium account			723,702		723,702
Other equity reserve			(174,000)		(174,000)
Profit and loss account			<u>(4,458,555)</u>		<u>(4,275,287)</u>
Shareholders' (deficit)			<u>(1,884,183)</u>		<u>(1,700,915)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30th April 2018.


Alexandra Lord
Director

The notes on pages 16 to 28 form part of these financial statements.

Urdgrup Limited
Consolidated statement of changes in equity
for the year ended 31 December 2017

For the year ended 31 December 2017	Share capital £	Share premium £	Other equity reserve £	Profit and loss account £	Total equity £
1 January 2017	2,024,670	723,702	(174,000)	(4,275,287)	(1,700,915)
Total comprehensive loss for the year	-	-	-	(183,268)	(183,268)
31 December 2017	2,024,670	723,702	(174,000)	(4,458,555)	(1,884,183)
For the year ended 31 December 2016	Share capital £	Share premium £	Other equity reserve £	Profit and loss account £	Total equity £
1 January 2016	2,024,670	723,702	(174,000)	(3,230,785)	(656,413)
Total comprehensive loss for the year	-	-	-	(1,044,502)	(1,044,502)
31 December 2016	2,024,670	723,702	(174,000)	(4,275,287)	(1,700,915)

The notes on pages 16 to 28 form part of these financial statements.

Urdgrup Limited

Consolidated statement of Cash Flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss for the financial year		(183,268)	(1,044,502)
Adjustments for:			
Depreciation of fixed assets	11	59,358	77,994
Amortisation of intangible assets	10	787,241	691,825
Profit on disposal of discontinued operations	23	(500,203)	-
Interest payable		229,347	219,531
Tax credit claim		(177,667)	(175,294)
(Increase)/ decrease in debtors		(43,567)	310,992
Increase /(decrease) in trade creditors		703	(374,914)
Increase in provisions		60,233	264,767
Cash from operations		232,177	(29,741)
Interest paid		(100,559)	(174,264)
Taxation received		258,441	213,890
Net cash generated from operating activities		390,059	9,885
Cash flows from investing activities			
Payments to acquire intangible assets	10	(538,886)	(647,448)
Sale proceeds from asset disposal	23	434,765	-
Net cash from investing activities		(104,121)	(647,448)
Cash flows from financing activities			
Capital element of lease repaid		-	(8,294)
Issue of new loans		400,000	570,000
Net cash used in financing activities		400,000	561,706
Net increase/ (decrease) in cash and cash equivalents		685,938	(75,857)
Cash and cash equivalents at beginning of year		(126,835)	(50,978)
Cash and cash equivalents at end of year		559,103	(126,835)
Cash and cash equivalents comprise:			
Cash at bank and in hand		559,103	973
Bank overdrafts	14	-	(127,808)
		559,103	(126,835)

The notes on page 16 to 28 form part of these financial statements.

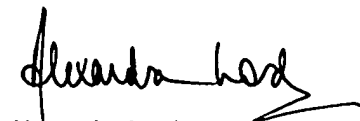
Urdgrup Limited

Company balance sheet at 31 December 2017

Company number 07520049	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Investments	12		1,833,841		1,833,841
			<u>1,833,841</u>		<u>1,833,841</u>
Current assets					
Debtors	13	3,477,721		3,152,242	
Creditors: amounts falling due within one year	14	(2,502,837)		-	
Net current assets			<u>974,884</u>		<u>3,152,242</u>
Total assets less current liabilities			<u>2,808,725</u>		<u>4,986,083</u>
Creditors: amounts falling due after more than one year	15		(1,349,234)		(3,191,468)
Net assets			<u>1,459,491</u>		<u>1,794,615</u>
Capital and reserves					
Called up share capital	19		2,024,670		2,024,670
Share premium account			723,702		723,702
Other equity reserve			(174,000)		(174,000)
Profit and loss account			<u>(1,114,881)</u>		<u>(779,757)</u>
Shareholders' funds			<u>1,459,491</u>		<u>1,794,615</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company was £335,124 (2016: £236,444).

The financial statements were approved by the Board of Directors and authorised for issue on 30th April 2018.


Alexandra Lord
Director

The notes on pages 16 to 28 form part of these financial statements.

Urdgrup Limited

Company statement of changes in equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Other equity reserve £	Profit and loss account £	Total equity £
1 January 2017	2,024,670	723,702	(174,000)	(779,757)	1,794,615
Loss for the year	-	-	-	(335,124)	(335,124)
Total comprehensive loss for the year	-	-	-	(335,124)	(335,124)
31 December 2017	<u>2,024,670</u>	<u>723,702</u>	<u>(174,000)</u>	<u>(1,114,881)</u>	<u>1,459,491</u>

For the year ended 31 December 2016

	Share capital £	Share premium £	Other equity reserve £	Profit and loss account £	Total Equity £
1 January 2016	2,024,670	723,702	(174,000)	(543,315)	2,031,057
Loss for the year	-	-	-	(236,442)	(236,442)
Total comprehensive loss for the year	-	-	-	(236,442)	(236,442)
31 December 2016	<u>2,024,670</u>	<u>723,702</u>	<u>(174,000)</u>	<u>(779,757)</u>	<u>1,794,615</u>

The notes on pages 16 to 28 form part of these financial statements.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

Urdgrup Limited is a company incorporated in England and Wales, limited by shares, under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. There is no impact on the accounts from the first-time adoption of FRS 102.

Under FRS 102, an intangible asset acquired in a business combination is normally recognised as an asset because its fair value can be measured with sufficient reliability. Under UK GAAP, an intangible asset acquired as part of a business acquisition should be capitalised separately from goodwill if its value be reliably measured on initial recognition. As Abacus has intangible assets which were acquired prior to the adoption of FRS 102, it has chosen to continue to recognise these under UK GAAP.

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of FRS 102 Urdgrup Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Going concern

The financial statements have been prepared on a going concern basis.

The Directors have prepared a forecast including cash flow projections and covenant tests that indicate that the Company will be able to meet its commitments for at least the 12 months following the approval of these accounts. The Group is financed by a combination of fixed rate loan notes and equity: funding completed in July 2016 has been used to support future growth and R&D, especially for Advance. There is also a bank overdraft facility. The Group also has the full support of BGF, its main shareholder. The Directors have obtained a letter of support from BGF that it will not call in any repayment of loans to the extent that the Group is unable to repay them. It is on this basis that the directors have prepared the financial statements on a going concern basis.

The main assumption within the forecast which could be affected by conditions outside the direct control of the Directors is sales, especially to new clients. Sensitivity testing is performed by the Directors to validate that the Group is still able to meet its commitments despite potentially lower revenue growth.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Since the balance sheet date the Group's performance has been in line with its current business plan. The Directors therefore consider it appropriate that the financial statements are prepared on a going concern basis.

Revenue

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. For subscription contracts, including licence, support and hosting, the Company defers recognition of revenue over the period of the subscription as the Company has an obligation to provide these ongoing services to the buyer over a fixed time period.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any 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. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation on other assets 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:

Leasehold improvements	- the term of the lease
Fixtures, fittings and equipment	- 4-5 years

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

Valuation of investments

Investments in unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Finance costs

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

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life of twenty years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

(b) Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their expected useful economic lives of five years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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 in the UK.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Share-based payments

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

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Share-based payments (continued)

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

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

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximately to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

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

In preparing these financial statements, the Directors have made the following judgements:

- Determine whether there are indicators of impairment of the Company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether there are indicators of impairment to the carrying value of the Company's investments. Factors taken into consideration include the financial and future financial performance of the company invested in, as well as additional investment by third parties.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Intangible fixed assets (see note 10)*

Intangible fixed assets include development costs which are capitalised based on the recorded input cost and amortised over their expected useful lives. Factors which are assessed when evaluating the residual value include future revenue which the development work is expected to generate and technological innovation.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

3 Analysis of turnover

	2017 £	2016 £
Analysis by type of revenue:		
Recurring – continuing operations	3,210,666	2,693,318
Recurring – discontinued operations	97,280	239,049
Project – continuing operations	1,704,658	1,530,786
Project – discontinued operations	18,447	117,044
	<u>5,031,051</u>	<u>4,580,197</u>

Analysis of turnover by country of destination:

United Kingdom	4,789,595	4,278,760
Rest of the world	241,456	301,437
	<u>5,031,051</u>	<u>4,580,197</u>

All discontinued revenue was generated in the United Kingdom.

4 Operating loss

	2017 £	2016 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	59,358	77,994
Amortisation of intangible assets, including goodwill	787,241	691,285
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	19,000	17,500
Fees payable to the Company's auditor for taxation compliance services	6,975	5,800
Exchange differences	10,905	8,202
Defined contribution pension cost	39,714	34,705
	<u></u>	<u></u>

5 Rental income

During the year the Company sublet part of the London office which generated income of £90,819 (2016: £65,949).

6 Employees

	2017 £	2016 £
Staff costs (including Directors) consist of:		
Wages and salaries	2,888,498	2,981,677
Social security costs	301,092	336,393
Cost of defined contribution pension scheme	39,714	34,705
Redundancy costs	-	45,753
	<u>3,229,304</u>	<u>3,398,528</u>

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

6 Employees (*continued*)

The average number of employees (including Directors) during the year was as follows:

	2017 Number	2016 Number
Office and management	11	11
Sales and marketing	5	6
Delivery services	47	47
	<u>63</u>	<u>64</u>

A defined contribution pension scheme is operated by the Company on behalf of employees. The assets of the scheme are held separately in an independently administered fund. The pension charge represents contributions payable by the Company to the fund and amounted to £39,714 (2016: £34,705).

7 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	482,890	474,759
Company contributions to money purchase pension schemes	16,609	32,115
	<u>499,499</u>	<u>506,874</u>

There were three Directors in the Group's defined contribution pension scheme (2016: four). Emoluments of the highest paid director were £155,524 (2016: £135,509).

8 Interest payable and similar charges

	2017 £	2016 £
Bank loans and overdrafts	1,461	1,977
Other loans	228,886	180,138
Finance leases	-	856
Unwinding of interest on A Ordinary share capital	71,266	36,560
	<u>301,613</u>	<u>219,531</u>

9 Taxation on loss on ordinary activities

	2017 £	2016 £
<i>UK corporation tax</i>		
Current tax on loss for the year	-	-
R&D tax credit	(55,103)	(253,209)
	<u>(55,103)</u>	<u>(253,209)</u>
Total current tax	(55,103)	(253,209)
<i>Deferred tax</i>		
Originating and reversal of timing differences	(43,371)	87,719
Adjustment in respect of previous periods	-	(9,804)
Total deferred tax	<u>(43,371)</u>	<u>77,915</u>
Taxation on loss on ordinary activities	<u>(98,474)</u>	<u>(175,294)</u>

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

9 Taxation on loss on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below.

	2017 £	2016 £
Loss on ordinary activities before taxation	(281,742)	(1,219,796)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20.00%)	(54,226)	(243,959)
Effects of:		
Expenses not deductible for tax purposes	15,409	18,383
Additional deduction for R&D expenditure	(133,292)	(201,483)
Surrender of tax losses for R&D tax credit refund	18,038	98,029
Unrecognised trading losses	49,850	114,699
Adjustments to tax charge in respect of previous periods	-	5,232
Other timing differences	5,747	33,805
Current tax credit for the year	(98,474)	(175,294)

In 2017 the Company has £218,006 (2016: £84,645) of unrecognised tax losses carried forward.

10 Intangible assets

Group	Development costs £	Goodwill £	Total £
<i>Cost or valuation</i>			
At 1 January 2017	3,664,649	992,138	4,656,787
Additions	538,886	-	538,886
Disposals	(36,405)	-	(36,405)
At 31 December 2017	4,167,130	992,138	5,159,268
<i>Amortisation</i>			
At 1 January 2017	2,085,554	241,497	2,327,051
Charge for year	775,494	11,747	787,241
Disposals	(9,182)	-	(9,182)
At 31 December 2017	2,851,866	253,244	3,105,110
<i>Net book value</i>			
At 31 December 2017	1,315,264	738,894	2,054,158
At 31 December 2016	1,579,095	750,641	2,329,736

The Company had no intangible assets.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

11 Tangible fixed assets

Group	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost or valuation</i>			
At 1 January 2017	183,644	141,093	324,737
At 31 December 2017	183,644	141,093	324,737
<i>Depreciation</i>			
At 1 January 2017	130,464	119,768	250,232
Charge for year	40,866	18,492	59,358
At 31 December 2017	171,330	138,260	309,590
<i>Net book value</i>			
At 31 December 2017	12,314	2,833	15,147
At 31 December 2016	53,180	21,235	74,505

The Company had no tangible fixed assets.

Finance Leases

The net book value of fixtures, fittings and equipment includes an amount of £Nil (2016: £22,316) in respect of assets held under finance leases.

12 Fixed asset investments

Group	Total £
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	33,333
Other investments are shares in other unlisted companies which have been measured at fair value.	
Company	Shares in subsidiary £
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	1,833,841

The undertaking in which the Company's interest at the year end is 20% or more is as follows:

Name	Registered address	Proportion of voting rights and ordinary share capital held
Abacus Software Ltd	Chancery Exchange, 10, Furnival Street, London EC4A 1AB	100%

Urdgrup Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

13 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
<i>Current</i>				
Trade debtors	929,885	1,067,462	-	-
Other debtors	219,165	243,248	-	25,000
Prepayments, WIP & accrued income	228,920	23,693	-	-
Corporation tax recoverable	177,667	258,442	-	-
<i>Non-current</i>				
Amounts owed by Group undertakings	-	-	3,477,721	3,127,242
	<u>1,555,637</u>	<u>1,592,845</u>	<u>3,477,721</u>	<u>3,152,242</u>

The provision in the Group and Company balance sheet for the period in respect of bad and doubtful trade debtors was £Nil (2016: Nil).

14 Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts (secured)	-	127,808	-	-
Other loans	2,502,837	-	2,502,837	-
Trade creditors	161,867	352,629	-	-
Taxation and social security	288,228	354,844	-	-
Other creditors	2,913	1,111	-	-
Accruals and deferred income	1,459,400	1,427,598	-	-
	<u>4,415,245</u>	<u>2,263,990</u>	<u>2,502,837</u>	<u>-</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the Group.

15 Creditors: amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans	1,125,407	2,906,404	1,125,407	2,906,404
Shares classified as a financial liability	223,827	285,064	223,827	285,064
	<u>1,349,234</u>	<u>3,191,468</u>	<u>1,349,234</u>	<u>3,191,468</u>

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

15 Creditors: amounts falling due after more than one year (continued)

The maturity of sources of debt finance are as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
In one year or less, or on demand	2,177,538	1,382,244	2,177,538	1,382,244
In more than one year but not more than two years	1,050,885	1,182,244	1,050,885	1,182,244
In more than two years but not more than five years	471,000	626,980	471,000	626,980
In five years or more	-	-	-	-
	<u>3,699,423</u>	<u>3,191,468</u>	<u>3,699,423</u>	<u>3,191,468</u>

The debt finance comprised loans and overdrafts.

16 Provisions for liabilities

	Deferred taxation (Note 18) £	Dilapidations £	Total £
At 1 January 2017	254,378	22,471	276,849
Charged to profit or loss	(43,371)	103,604	60,233
At 31 December 2017	<u>211,007</u>	<u>126,075</u>	<u>337,082</u>

17 Pensions

The amount recognised in the profit and loss account as an expense in relation to the Group's defined contribution schemes is £39,714 (2016: £34,705). There were no amounts owing at the year end.

18 Deferred taxation Group

	2017 £	2016 £
Accelerated capital allowances	211,007	254,378
Short term timing differences	-	(5)
Deferred tax liability	<u>211,007</u>	<u>254,373</u>

The company has tax losses carried forward amounting to £218,006 (2016 - £84,645). No deferred tax asset has been recognised as the recoverability of the asset is not sufficiently certain.

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

19 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
136,519,989 Ordinary shares of 1p each	1,365,200	1,365,200
61,214,419 A Ordinary shares of 1p each	612,144	612,144
32,385,122 A Ordinary shares of 0.1p each	32,385	32,385
14,941,378 Ordinary shares of 0.1p each	14,941	14,941
	2,024,670	2,024,670

The holders of the A Ordinary shares will be entitled to receive a cumulative preferential cash dividend in respect of the financial year commencing 1st January 2018, equal to the higher of 10% of the amount paid for the shares and 10% of the net profits after tax per the financial statements of Abacus Software Limited. A financial liability has been recognised in relation to this right. The A Ordinary shares have different voting rights attached to the other class of shares.

20 Share based payment

The following information is relevant in the determination of the fair value of options granted during previous years under the equity-settled share based remuneration schemes operated by Urdgrup Limited.

	2017	2016
Equity-settled	Black-Scholes	Black-Scholes
Option pricing model used		
Weighted average share price at grant date (pence)	0.049p	0.049p
Exercise price (pence)	1.05p	1.05p
Weighted average contractual life (years)	10	10
Expected volatility	25%	25%
Expected dividend growth rate	-	-
Risk-free interest rate	0.72%	0.72%

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publically quoted companies.

No amount was charged to the accounts in both years as the amount was not material. No options were granted or exercised during the year.

21 Commitments under operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	2017 £	2016 £
Not later than 1 year	194,339	311,728
Later than 1 year and not later than 5 years	-	196,335
	194,339	508,063

Urdgrup Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

22 Related party disclosures

During the year the Group received marketing services from Mrs M Templeman, wife of Mr S Feigen a Director of the Company, and a loan holder in the Company to the value of £2,138 (2016: £15,819).

During the year the Company purchased services from Gowi Doo, a shareholder in the Company totalling £227,324 (2016: £275,765). All transactions were conducted on an arm's length basis on normal trading terms.

23 Discontinued operations

In June 2017 the Company disposed of Recruit, its standalone public sector recruitment software business, for all cash consideration of £435k. Revenue and operating profit is shown in the accounts for the period January to May inclusive within discontinued operations.

A full year of revenue and cost in respect of Recruit was recognised in 2016. Recruit generated revenue of £356k in 2016, with £233k of operating profit.