

Company Registration No. 09908607 (England and Wales)

HSO UK HOLDING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



PM+M Solutions for Business LLP
Chartered Accountants
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

HSO UK HOLDING LIMITED

COMPANY INFORMATION

Director	Mr AJ Koedijk
Company number	09908607
Registered office	1st Floor Enterprise Point Altrincham Road Manchester M22 4NY
Auditor	PM+M Solutions for Business LLP Greenbank Technology Park Challenge Way Blackburn Lancashire BB1 5QB

HSO UK HOLDING LIMITED

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HSO UK HOLDING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The director presents the strategic report for the year ended 31 December 2017.

Fair review of the business

The combined UK business accounts for 25% of Group turnover and has delivered 26% growth in the year. Growth has been driven by new business closures; a sales pipeline into mid-market and enterprise level clients; the retention of longer-term enterprise projects, boosting recurring project revenue a strong and more project services activity in to the client base; the addition of several 'take-on' clients; a net increase in the retained client base; and an 18% increase in the value of recurring support and maintenance contracts. The UK business has continued to invest in the CRM Solutions entity to support future growth of the practice in line with the Group's CRM growth ambitions. The business continued its exponential revenue growth due to several strategic sales supported by successful and referenceable implementations, which continues to enhance its reputation in the market and within Microsoft UK.

Across the UK business, the proportion of international customer and supplier trading continues to grow. However, recent currency fluctuations had the potential to undermine margins traditionally associated with services provision, and to increase the costs of supplied services. By modifying its working practices, HSO no longer sees a currency hedging requirement and mitigates FX risk by ensuring payment terms are honoured, thus providing greater revenue and cost certainty around trading transactions.

HSO continues to work with HMRC to recover a proportion of the costs associated with R&D developments under the Government Sponsored Research & Development rebate scheme. Should the proposal be approved by HMRC the relative impact on underlying operational cash flows would be substantial.

Principal risks and uncertainties

Managing risks and uncertainties related to the business is an integral part of management and control. Management and the workforce identify, discuss and manage risks and challenges that are associated with the respective business, project, customer or contract continuously. The top down company culture, mainly operational and financial, is very risk adverse. Employees at all levels and roles, feel supported to call out risks as soon they identify them; managing them is our core business.

Our business includes sense checking internal and external risks as quickly as possible, including risks facing our customers, their businesses and/or their projects and we manage them accordingly.

HSO UK HOLDING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

We have categorised risks and uncertainties in the following categories:

Strategic

Business solutions, applications and services needed by our customers are changing rapidly because of their own changing business environment and therefore changing business requirements. We have probably not seen such a fundamental change in the past 10 or even 20 years.

HSO's core business are consulting services to provide our customers with state-of-art solutions that help them to improve results. Results today means helping to digitally transform their business.

As we exclusively work with state-of-art solutions from Microsoft, management invests substantial time and money in HSO's future strategy, with Microsoft. This includes developing our services portfolio, product portfolio and updating skills and knowledge to be leading in our market.

Financial

The business model around software delivery is changing substantially. Up until 2013, 100% of the software license revenue was based on selling perpetual software licenses and on-premise installations. As clients move from on premise installations to the cloud, enhancement plan revenues will decrease. This is expected to happen over the next 8 years. Anticipating the change in trend towards cloud based subscriptions and software assurance licensing income, HSO ran a multi-year improvement plan to improve professional services profitability and to reduce the dependency on software license revenue and margins.

The revenue and margin of enhancement plans will be replaced by software subscriptions, which will be lower per year but will be cumulative and recurring over the lifetime of a customer, i.e. multiple years.

HSO checks the financial position of potential customers before engaging and contracting. However, financial checks alone do not always tell the whole story. Reading signals such as a change of CIO, CFO or CEO sometimes indicates more than balance sheets do.

HSO has put more focus around collections, actions and reducing the overall exposure on receivables. Improvements include involving resources that are close to the customer (project manager, sales manager) to support timely collections.

The company has no loans or credit lines; therefore, a change in interest rates would have limited to no impact.

Operational

Our services revenues are the result of projects or contracts. Larger projects or contracts may represent up to 5% of the total services revenue; therefore, project or contract related risks need to be limited and distributed.

Our sales and delivery approach and methodology is to slice projects into multiple Business Releases, each with its own scope, time and budget. Our project contracts or statement of work are based on each Business Release.

Our global sales and delivery approach consist of Business Releases and Business Release phases Diagnostic, Analyze, Design, Develop, Deliver, Deploy and Operation. Our methodology is supported by tools, systems and templates to control project risks and legal risks.

In 2015, an enhanced system for project and resource control was implemented throughout the HSO organisation. Optimization of our approach and methodology is a continuous process.

HSO UK HOLDING LIMITED

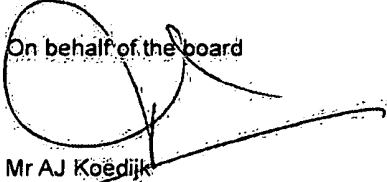
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Going Concern statement

The company has adequate financial resources along with a diverse spread of customers. There is no over reliance on any single customer. The director has prepared forecasts for this business, considering the changes in trading since the year end. Consequently, the director believes that the company and the group is well placed to manage the business risks successfully despite the current uncertain economic environment. Thus, he continues to adopt the going concern basis of accounting in preparing the annual financial statements

On behalf of the board



Mr AJ Koedijk
Director

4 June 2018

HSO UK HOLDING LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The director presents his annual report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company continued to be that of a holding company.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr AJ Koedijk

Results and dividends

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

No ordinary dividends were paid. The director does not recommend payment of a further dividend.

Auditor

The auditor, PM+M Solutions for Business LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the director is 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 group and company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

HSO UK HOLDING LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

On behalf of the board

Mr AJ Koedijk
Director

4 June 2018

HSO UK HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HSO UK HOLDING LIMITED

Opinion

We have audited the financial statements of HSO UK Holding Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Group Statement of Income and Retained Earnings, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Cash Flows 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 FRS 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 the parent company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of the audit report

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

Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's 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.

HSO UK HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HSO UK HOLDING LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 our audit:

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 the Director's Report.

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 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 director

As explained more fully in the Director's Responsibilities Statement, the director is 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 director is 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 director either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

HSO UK HOLDING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HSO UK HOLDING LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

PM+M solutions for Business LLP

**Helen Clayton BSc FCA (Senior Statutory Auditor)
for and on behalf of PM+M Solutions for Business LLP
Chartered Accountants
Statutory Auditor**

11 June 2018

Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

HSO UK HOLDING LIMITED

GROUP STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	17,815,812	14,501,133
Cost of sales		(3,899,732)	(3,189,377)
Gross profit		13,916,080	11,311,756
Administrative expenses		(13,111,537)	(11,624,418)
Operating profit/(loss)	4	804,543	(312,662)
Interest payable and similar expenses	7	(54,522)	12,518
Profit/(loss) before taxation		750,021	(300,144)
Tax on profit/(loss)	8	(17,506)	300,480
Profit for the financial year		732,515	336
Retained earnings brought forward		6,016	5,680
Retained earnings carried forward		738,531	6,016

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

HSO UK HOLDING LIMITED

GROUP BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10		104,055		123,106
Current assets					
Debtors	14	6,660,103		5,196,789	
Cash at bank and in hand		445,505		636,291	
		<u>7,105,608</u>		<u>5,833,080</u>	
Creditors: amounts falling due within one year	15	<u>(6,041,132)</u>		<u>(5,520,170)</u>	
Net current assets			<u>1,064,476</u>		<u>312,910</u>
Total assets less current liabilities			<u><u>1,168,531</u></u>		<u><u>436,016</u></u>
Capital and reserves					
Called up share capital	18	430,000		430,000	
Profit and loss reserves		738,531		6,016	
Total equity			<u><u>1,168,531</u></u>		<u><u>436,016</u></u>

The financial statements were approved and signed by the director and authorised for issue on 4 June 2018

Mr A.J. Koedijk
Director

HSO UK HOLDING LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	11		430,002		430,002
Current assets					
Cash at bank and in hand		24		94	
Creditors: amounts falling due within one year	15	(8,302)		(6,502)	
Net current liabilities			(8,278)		(6,408)
Total assets less current liabilities			421,724		423,594
Capital and reserves					
Called up share capital	18		430,000		430,000
Profit and loss reserves			(8,276)		(6,406)
Total equity			421,724		423,594

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,870 (2016 - £6,406 loss).

The financial statements were approved and signed by the director and authorised for issue on 4 June 2018

Mr A.J. Koedijk
Director

Company Registration No. 09908607

HSO UK HOLDING LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	19		(122,568)		227,377
Interest paid			(54,522)		12,518
Income taxes (paid)/refunded			-		250,264
Net cash (outflow)/inflow from operating activities			(177,090)		490,159
Investing activities					
Purchase of tangible fixed assets		(13,696)		(153,114)	
Net cash used in investing activities			(13,696)		(153,114)
Net cash used in financing activities					
			-		-
Net (decrease)/increase in cash and cash equivalents			(190,786)		337,045
Cash and cash equivalents at beginning of year			636,291		299,246
Cash and cash equivalents at end of year			445,505		636,291

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

HSO UK Holding Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1st Floor, Enterprise Point, Altrincham Road, Manchester, M22 4NY.

The group consists of HSO UK Holding Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

The consolidated financial statements incorporate those of HSO UK Holding Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

1.5 Tangible fixed assets

Tangible fixed assets are measured at cost net of depreciation and any impairment losses.

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

Computers	20% per annum
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Cash at bank and in hand

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

1.8 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.9 Taxation

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

Current tax

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

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

1.10 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	16,737,546	13,705,737
Rest of Europe	892,268	664,972
Rest of World	185,998	130,424
	<u>17,815,812</u>	<u>14,501,133</u>

4 Operating profit/(loss)

	2017 £	2016 £
Operating profit/(loss) for the year is stated after charging:		
Exchange losses	175,001	156,247
Depreciation of owned tangible fixed assets	32,747	31,540
Operating lease charges	349,477	209,334
	<u>557,225</u>	<u>397,121</u>

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	1,800	1,800
Audit of the financial statements of the company's subsidiaries	29,545	32,900
	<u>31,345</u>	<u>34,700</u>

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Employees	<u>138</u>	<u>126</u>	<u>1</u>	<u>1</u>

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	8,184,134	7,367,716	-	-
Social security costs	897,685	848,579	-	-
Pension costs	224,338	179,410	-	-
	<u>9,306,157</u>	<u>8,395,705</u>	<u>-</u>	<u>-</u>

7 Interest payable and similar expenses

	2017 £	2016 £
Other interest	<u>54,522</u>	<u>(12,518)</u>

8 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	22,016	-
Adjustments in respect of prior periods	-	(258,634)
Total current tax	<u>22,016</u>	<u>(258,634)</u>
Deferred tax		
Origination and reversal of timing differences	<u>(4,510)</u>	<u>(41,846)</u>
Total tax charge/(credit) for the year	<u>17,506</u>	<u>(300,480)</u>

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

8 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit/(loss) before taxation	<u>750,021</u>	<u>(300,144)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	144,379	(60,029)
Tax effect of expenses that are not deductible in determining taxable profit	12,623	23,013
Adjustments in respect of prior years	-	(269,765)
Effect of change in corporation tax rate	(15,919)	-
Permanent capital allowances in excess of depreciation	1,770	-
Other permanent differences	-	34
Deferred tax adjustments in respect of prior years	<u>(125,347)</u>	<u>6,267</u>
Taxation charge/(credit) for the year	<u>17,506</u>	<u>(300,480)</u>

9 Intangible fixed assets

Group	Goodwill £	Patents & licences £	Total £
Cost			
At 1 January 2017 and 31 December 2017	<u>25,626</u>	<u>331,154</u>	<u>356,780</u>
Amortisation and impairment			
At 1 January 2017 and 31 December 2017	<u>25,626</u>	<u>331,154</u>	<u>356,780</u>
Carrying amount			
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>

The company had no intangible fixed assets at 31 December 2017 or 31 December 2016.

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Tangible fixed assets

Group	Computers £
Cost	
At 1 January 2017	197,946
Additions	13,696
At 31 December 2017	211,642
Depreciation and impairment	
At 1 January 2017	74,840
Depreciation charged in the year	32,747
At 31 December 2017	107,587
Carrying amount	
At 31 December 2017	104,055
At 31 December 2016	123,106

The company had no tangible fixed assets at 31 December 2017 or 31 December 2016.

11 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in subsidiaries	12	-	-	430,002	430,002

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2017 and 31 December 2017	430,002
Carrying amount	
At 31 December 2017	430,002
At 31 December 2016	430,002

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Country of incorporation	Nature of business	Class of shares held	% Held	
				Direct	Indirect
HSO CRM Limited	United Kingdom	Computer consultancy activities	Ordinary Shares	100.00	-
HSO Customer Services Limited	United Kingdom	Computer consultancy	Ordinary Shares	100.00	-
HSO Enterprise Solutions Limited	United Kingdom	Computer consultancy	Ordinary Shares	100.00	-

13 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	<u>5,607,047</u>	<u>4,462,368</u>	<u>n/a</u>	<u>n/a</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>4,799,132</u>	<u>4,607,218</u>	<u>n/a</u>	<u>n/a</u>

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

14 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	5,145,996	3,456,029	-	-
Amounts owed by group undertakings	144,695	521,704	-	-
Other debtors	341,537	484,635	-	-
Prepayments and accrued income	979,685	690,741	-	-
	<u>6,611,913</u>	<u>5,153,109</u>	<u>-</u>	<u>-</u>
Deferred tax asset (note 16)	48,190	43,680	-	-
	<u>6,660,103</u>	<u>5,196,789</u>	<u>-</u>	<u>-</u>

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Creditors: amounts falling due within one year

	Group 2017 £	2016 £	Company 2017 £	2016 £
Trade creditors	1,281,935	952,535	-	-
Amounts due to group undertakings	1,358,695	1,760,476	3,702	-
Corporation tax payable	22,016	-	-	-
Other taxation and social security	1,219,984	912,952	-	-
Other creditors	405,698	412,971	-	102
Accruals and deferred income	1,752,804	1,481,236	4,600	6,400
	<u>6,041,132</u>	<u>5,520,170</u>	<u>8,302</u>	<u>6,502</u>

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Assets 2017 £	Assets 2016 £
Accelerated capital allowances	(11,437)	(13,113)
Tax losses	53,445	47,637
Short term timing differences	6,182	9,156
	<u>48,190</u>	<u>43,680</u>

The company has no deferred tax assets or liabilities.

	Group 2017 £	Company 2017 £
Movements in the year:		
Liability/(asset) at 1 January 2017	(43,680)	-
Credit to profit or loss	(4,510)	-
Liability/(asset) at 31 December 2017	<u>(48,190)</u>	<u>-</u>

HSO UK HOLDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>224,338</u>	<u>179,410</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

18 Share capital

	Group and company	
	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
of £1 each	<u>430,000</u>	<u>430,000</u>

19 Cash generated from group operations

	2017 £	2016 £
Profit for the year after tax	732,515	336
Adjustments for:		
Taxation charged/(credited)	17,506	(300,480)
Finance costs	54,522	(12,518)
Depreciation and impairment of tangible fixed assets	32,747	27,795
Movements in working capital:		
(Increase) in debtors	(1,458,804)	(113,107)
Increase in creditors	498,946	621,606
Cash (absorbed by)/generated from operations	<u>(122,568)</u>	<u>227,377</u>