

AbacusNext International Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number SC166375



**COMPANIES HOUSE
EDINBURGH**

30 SEP 2019

FRONT DESK

AbacusNext International Limited

Registered number: SC166375

Balance sheet As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	6	5,340	30,722
Investments	7	-	6
		<u>5,340</u>	<u>30,728</u>
Current assets			
Debtors: amounts falling due within one year	8	2,788,810	1,994,425
Cash at bank and in hand	9	214,681	496,517
		<u>3,003,491</u>	<u>2,490,942</u>
Creditors: amounts falling due within one year	10	(2,435,599)	(2,218,706)
Net current assets		<u>567,892</u>	<u>272,236</u>
Total assets less current liabilities		<u>573,232</u>	<u>302,964</u>
Provisions for liabilities			
Deferred tax	11	-	(3,944)
		<u>-</u>	<u>(3,944)</u>
Net assets		<u><u>573,232</u></u>	<u><u>299,020</u></u>
Capital and reserves			
Called up share capital	12	23,284	23,284
Share premium account	13	399,044	399,044
Profit and loss account	13	150,904	(123,308)
		<u>573,232</u>	<u>299,020</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 September 2019


Scott Johnson
Director

AbacusNext International Limited
Registered number: SC166375

Balance sheet (continued)
As at 31 December 2018

The notes on pages 4 to 14 form part of these financial statements.

AbacusNext International Limited

Statement of changes in equity For the year ended 31 December 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	23,284	399,044	(123,308)	299,020
Comprehensive income for the year				
Profit for the year	-	-	274,218	274,218
Total comprehensive income for the year	-	-	274,218	274,218
Dividends: Equity capital	-	-	(6)	(6)
Total transactions with owners	-	-	(6)	(6)
At 31 December 2018	23,284	399,044	150,904	573,232

The notes on pages 4 to 14 form part of these financial statements.

Statement of changes in equity For the year ended 31 December 2017

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	20,710	115,989	1,213,535	1,350,234
Comprehensive income for the year				
Profit for the year	-	-	661,011	661,011
Total comprehensive income for the year	-	-	661,011	661,011
Dividends: Equity capital	-	-	(1,997,854)	(1,997,854)
Shares issued during the year	2,574	283,055	-	285,629
Total transactions with owners	2,574	283,055	(1,997,854)	(1,712,225)
At 31 December 2017	23,284	399,044	(123,308)	299,020

The notes on pages 4 to 14 form part of these financial statements.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

1. General information

Abacus Next International Limited is a private company, limited by shares, incorporated in Scotland, United Kingdom. The registered office and company number can be found on the company information page. The principal activity of the company relates to the provision of computer software and cloud computing solutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

These financial statements have been rounded to the nearest pound.

The company's functional and presentational currency is GBP.

2.2 Going concern

At the balance sheet date the company had net current assets of £567,892 (2017- £272,236) and net assets of £573,232 (2017 - £299,020). The directors have carried out an assessment over the going concern of the company by the completion of cashflow forecasts. This review was carried out for a period of at least 12 months from the date of sign off and no risk indicators were identified. Therefore, the directors are satisfied that it remains appropriate to apply the going concern assumption to the financial statements.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

2.3 Revenue

Revenue represents amounts receivable for the provision of software technology, net of VAT. There are various streams of revenue included within the sales for the year that are recognised in the following ways:

On premise software

Revenue is recognised at the point of sale when the risk and reward of the transaction has been transferred

Software subscription

Revenue is recognised over the period of subscription of the software

Hosted software

Revenue is recognised evenly over the period that the service is provided

Consulting and training

Revenue is recognised evenly over the period that the service is provided

Renewals and maintenance

Revenue is recognised evenly over the period that the service is provided

Publisher licence and royalties

Publisher licence income is recognised in the period that that access is provided. Royalties received in relation to on premise software are recognised in full at the point of sale. Royalties received in relation to hosted software are recognised over the period that the hosted software is provided.

Revenue is recognised net of VAT and any applicable rebates or discounts.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line or reducing balance methods.

Depreciation is provided on the following basis:

Plant and machinery	-	33% straight line
Fixtures and fittings	-	25% reducing balance

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

2.12 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.13 Other operating income

Other operating income represents management fees charged to group companies. These are recognised as the services are provided and the amounts are receivable.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Research and development

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 when 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.

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.

2.18 Foreign currency translation

Foreign currency translations are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the translation and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

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

In preparing these financial statements, the directors have had to make the following judgements:

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching 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.

Tangible fixed assets (note 6)

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.

Any assets under the value of £2,500 are expensed through the statement of comprehensive income.

4. Employees

The average monthly number of employees, including directors, during the year was 42 (2017 - 44).

5. Intangible assets

	Goodwill £
Cost	
At 1 January 2018	1,571,901
At 31 December 2018	<u>1,571,901</u>
Amortisation	
At 1 January 2018	1,571,901
At 31 December 2018	<u>1,571,901</u>
Net book value	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

6. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 January 2018	195,210	17,449	212,659
Additions	9,132	3,352	12,484
At 31 December 2018	204,342	20,801	225,143
Depreciation			
At 1 January 2018	172,025	9,912	181,937
Charge for the year	29,719	8,147	37,866
At 31 December 2018	201,744	18,059	219,803
Net book value			
At 31 December 2018	2,598	2,742	5,340
At 31 December 2017	23,185	7,537	30,722

7. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2018	6
Disposals	(6)
At 31 December 2018	-

Hotdocs Corporation was a subsidiary incorporated and registered in the United States of America.

On 2 January 2018 the company transferred its subsidiary company, HotDocs Corporation, to AbacusNext UK Limited, through a dividend in specie. The value of the dividend was the cost of the investment in HotDocs Corporation.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

8. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	1,320,641	1,219,183
Amounts owed by group undertakings	1,345,382	578,866
Accrued income	61,941	96,676
Other debtors and prepayments	59,354	99,700
Deferred taxation (note 19)	1,492	-
	<u>2,788,810</u>	<u>1,994,425</u>

9. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	214,681	496,517
	<u>214,681</u>	<u>496,517</u>

10. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	93,590	40,221
Deferred income	1,929,943	1,179,043
Amounts owed to group undertakings	-	195,755
Corporation tax	-	151,662
Other taxation and social security	262,528	194,178
Other creditors	58,547	7,765
Accruals	90,991	450,082
	<u>2,435,599</u>	<u>2,218,706</u>

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

11. Deferred taxation

	2018 £	2017 £
At beginning of year	(3,944)	(8,382)
Charged to profit or loss	5,436	4,438
At end of year	1,492	(3,944)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(422)	(5,352)
Short term timing differences	1,914	1,408
	1,492	(3,944)

12. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
22,814 Ordinary class A shares shares of £1.00 each	22,814	22,814
470 Ordinary class B shares shares of £1.00 each	470	470
	23,284	23,284

The two classes of shares shall rank pari passu in all respects save that the holders of the B ordinary shares shall be entitled to receive notice of, to attend and be heard at, but not vote at, general meetings of the company. The holders of A ordinary shares can vote at general meetings of the company.

13. Reserves

Share premium account

The share premium account represents the excess of the issue price over par value on shares issued.

Profit and loss account

The profit and loss account represents the cumulative net profits or losses in the statement of comprehensive income, less distributions.

AbacusNext International Limited

Notes to the financial statements For the year ended 31 December 2018

14. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £66,139 (2017 - £51,592). Contributions totalling £10,176 (2017 - £9,385) were payable to the fund at the balance sheet date and are included in creditors.

15. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	42,420	51,410
Later than 1 year and not later than 5 years	-	8,990
	<u>42,420</u>	<u>60,400</u>

16. Related party transactions

The company has taken advantage of the exemption conferred by section 33 of FRS 102 'Related Party Disclosures' not to disclose transactions with wholly owned subsidiaries of the group.

17. Controlling party

The immediate parent of the company is AbacusNext UK Limited, a private limited company incorporated in the United Kingdom with a registered office of Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB. The ultimate parent is Abacus Data Systems, Inc, incorporated in the United States and with a registered office of 4850 Eastgate Mall, San Diego, CA 92121, United States. The company is included within the consolidated financial statements of Abacus Data Systems, Inc.

18. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2018 was unqualified.

The audit report was signed on 25 September 2019 by Alastair Rae (Senior statutory auditor) on behalf of BDO LLP.