Sumdog Ltd

Registered number: SC167331

Directors' report and unaudited financial statements

For the year ended 31 December 2016

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SUMDOG LTD

COMPANY INFORMATION

Directors	A M Hall D J Sharratt
Company secretary	W K Haggie
Registered number	SC167331
Registered office	43 Queensferry Street Lane Edinburgh EH2 4PF
Trading Address	43 Queensferry Street Lane Edinburgh EH2 4PF
Accountants	Mazars LLP Chartered Accountants Apex 2 97 Haymarket Terrace Edinburgh EH12 5HD
Bankers	The Royal Bank of Scotland plc Edinburgh West End Office 142/144 Princes Street Edinburgh EH2 4EQ
Solicitors	MacRoberts LLP Excel House 30 Semple Street Edinburgh EH3 8BL

SUMDOG LTD

CONTENTS

	Page
Statement of Financial Position	1 - 2
Statement of Changes in Equity	3
Notes to the Financial Statements	4 - 15

SUMDOG LTD

Registered number: SC167331

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note		2016 £		2015 £
Fixed assets					
Tangible assets	3		16,601		12,232
Investments	4		636		636
			17,237		12,868
Current assets					
Stocks	5	2,494		2,516	
Debtors: amounts falling due within one year	6	573,967		396,312	
Cash at bank and in hand	7	198,922		206,693	
		775,383		605,521	
Creditors: amounts falling due within one year	8	(648,395)		(321,860)	
Net current assets			126,988		283,661
Total assets less current liabilities			144,225		296,529
Provisions for liabilities					
Deferred tax	10	(2,371)		(1,600)	
			(2,371)		(1,600)
Net assets			141,854		294,929
Capital and reserves					
Called up share capital	11		1,130		1,130
Share premium account	12		163,670		163,670
Share based payment account	13		247,365		199,100
Profit and loss account	12		(270,311)		(68,971)
			141,854		294,929

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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.

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 Mar 2017



A M Hall
Director
The notes on pages 4 to 15 form part of these financial statements.

SUMDOG LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Share based payment account	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	1,130	163,670	199,100	(68,971)	294,929
Loss for the year	-	-	-	(201,340)	(201,340)
Share based payments charge	-	-	48,265	-	48,265
At 31 December 2016	1,130	163,670	247,365	(270,311)	141,854

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Share based payment account	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	1,130	163,670	176,660	(102,567)	238,893
Profit for the year	-	-	-	33,596	33,596
Share based payments charge	-	-	22,440	-	22,440
At 31 December 2015	1,130	163,670	199,100	(68,971)	294,929

The notes on pages 4 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Sumdog Ltd is a limited company registered in Scotland. The registered office is 43 Queensferry Street Lane, Edinburgh, EH2 4PF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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 company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principle accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue received in advance is recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income as the service being supplied is provided.

2.3 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.

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

The estimated useful lives range as follows:

Computer related	- 2 years
Other equipment	- 4 years
Fixtures & fittings	- 10 years

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.

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.6 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.

2.7 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.

2. Accounting policies (continued)

2.8 Financial instruments

The company only enters into basic financial instruments 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 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.

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, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.9 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. Accounting policies (continued)

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position 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.

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 Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2. Accounting policies (continued)

2.13 Pensions

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

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

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 Statement of Financial Position 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 Statement of Financial Position.

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 reporting 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 Statement of Financial Position 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 reporting date.

2.17 Research and development

Computers and equipment for research and development are included as fixed assets and written off in accordance with the company's depreciation policy. Other research and development expenditure is written off in the year in which it is incurred.

3. Tangible fixed assets

	Fixtures & fittings £	Other equipment £	Computer related £	Total £
Cost				
At 1 January 2016	28,919	11,644	120,319	160,882
Additions	5,771	1,186	4,732	11,689
At 31 December 2016	34,690	12,830	125,051	172,571
Depreciation				
At 1 January 2016	21,471	10,491	116,688	148,650
Charge for the year	1,448	1,276	4,596	7,320
At 31 December 2016	22,919	11,767	121,284	155,970
Net book value				
At 31 December 2016	11,771	1,063	3,767	16,601
At 31 December 2015	7,448	1,153	3,631	12,232

4. Fixed asset investments

	Investments in subsidiary under-takings £
Cost	
At 1 January 2016	636
At 31 December 2016	636
Net book value	
At 31 December 2016	636
At 31 December 2015	636

4. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Sumdog Inc	USA	Ordinary	100 %
Crocodile Clips (Trustees) Limited	Scotland	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2016 and of the loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Loss £
Sumdog Inc	(163,286)	(37,312)
Crocodile Clips (Trustees) Limited	1	-
	(163,285)	(37,312)

Crocodile Clips (Trustees) Limited is a non trading company which is the first appointed Trustee of the Crocodile Clips Employee Benefit Trust. The principal activity of Sumdog Inc is that of computer software development and publishing.

5. Stocks

	2016 £	2015 £
Raw materials	2,000	1,936
Finished goods	494	580
	2,494	2,516

6. Debtors

	2016 £	2015 £
Trade debtors	160,915	133,028
Amounts owed by subsidiary undertaking (note 16)	201,475	127,411
Other debtors	202,588	125,617
Prepayments and accrued income	8,989	10,256
	573,967	396,312

7. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	198,922	206,693

8. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors (note 16)	22,630	17,189
Other taxation and social security	37,152	28,425
Accruals and deferred income	588,613	276,246
	648,395	321,860

9. Financial instruments

	2016 £	2015 £
Financial liabilities at fair value through the profit and loss		
Foreign forward currency contracts	84,624	-

10. Deferred taxation

	2016 £
At beginning of year	(1,600)
Movement in the year	(771)
At end of year	(2,371)

The provision for deferred taxation, which is calculated based on a tax rate of 17% (2015 - 18%), is made up as follows:

	2016 £
Accelerated capital allowances	(2,371)

A deferred tax asset of £80,000 (2015 - £85,000), calculated based on a tax rate of 17% (2015 - 18%), in respect of trading losses carried forward, has not been provided for in the financial statements as there is uncertainty over its immediate recoverability.

11. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
10,000,000 "A" Ordinary shares of £0.0001 each	1,000	1,000
1,300,000 Ordinary shares of £0.0001 each	130	130
	1,130	1,130

The "A" Ordinary and the Ordinary shares have equal voting rights, except in relation to certain allotments and transfers of shares where consent of 51% of the holders of "A" Ordinary shares is required, and for Ordinary shareholders who have ceased to be employed by the company who may have no voting rights.

12. Reserves

Share premium

There has been no movement on the share premium account from the prior year balance of £163,670.

Share based payment account

This reserve represents the cumulative value of services received in equity settled share based payment transactions as disclosed in note 13.

Profit & loss account

This reserve includes all current and prior periods retained profits and losses.

13. Share based payments

The company has issued equity-settled share based payments to certain employees under a government sponsored EMI scheme established on 1 November 2001. The options are exercisable from two years after issue at the issue price until they are cancelled 10 years from issue.

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	11.7	1,594,154	11.7	1,594,154
Granted during the year	16.0	438,000	Nil	-
Outstanding at the end of the year	12.6	2,032,154	11.7	1,594,154

The fair value of the share options was calculated using a recent fair valuation of the entity and its assets.

The Statement of Comprehensive Income includes a charge for share based payments of £48,265 (2015 - £22,440) with a corresponding increase in equity of this amount.

14. Pension commitments

The company makes payments to a defined contribution 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 £12,433 (2015 - £nil).

15. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	50,000	26,666
Later than 1 year and not later than 5 years	200,000	-
	250,000	26,666

16. Related party transactions

The company has taken advantage of the exemption granted by FRS 102 not to disclose transactions with companies in which it wholly owns.

Included in trade creditors is amounts due to a director of the company, A M Hall, for expenses incurred of £482 (2015 - £nil).

17. Post balance sheet events

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

18. Controlling party

In the opinion of the directors, A M Hall is the company's ultimate controlling party by virtue of his majority shareholding in the company.

19. First time adoption of FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2015. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 January 2015

	£
Equity at 1 January 2015 under previous UK GAAP	238,893
Equity shareholders funds at 1 January 2015 under FRS 102	238,893

Reconciliation of equity at 31 December 2015

	£
Equity at 31 December 2015 under previous UK GAAP	294,929
Equity shareholders funds at 31 December 2015 under FRS 102	294,929

Reconciliation of profit and loss account for the year ended 31 December 2015

	£
Profit for the year under previous UK GAAP	56,036
Share based payments charge	(22,440)
Profit for the year ended 31 December 2015 under FRS 102	33,596

The following were changes in accounting policies arising from the transition to FRS 102:

1 The company has accounted for equity settled share based payment transactions in accordance with FRS 102.