Registration number: 02119606

ACTIVE RISK LIMITED

Financial Statements

for the Year Ended 31 December 2017

BREBNERS
Chartered Accountants & Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

ACTIVE RISK LIMITED

Contents

ACTIVE RISK LIMITED

Company Information

Directors	S A Allen J F Mottard
Registered office	1 Grenfell Road Maidenhead Berkshire SL6 1HN
Bankers	HSBC Bank Plc 127 High Street Hounslow Middlesex TW3 1QP
Auditors	Brebners Chartered Accountants & Statutory Auditor 130 Shaftesbury Avenue London W1D 5AR

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is the development and distribution of a market leading enterprise and risk management software solution - Active Risk Manager ("ARM").

Our core business

Active Risk provides a leading Enterprise Risk Management ('ERM') solution which allows organisations to identify, analyse and manage risk more effectively, enabling improved business performance. The Active Risk approach to ERM includes four key areas: Operational Risk Management, Project Management, Governance and Compliance, and Opportunity Management.

Our markets

We focus on organisations with the following characteristics:

• Revenue in excess of $1 billion
• Complex global operations
• Capital intensive contracts
• Increased regulation and compliance requirements
• Increased cost reduction requirements

Accordingly, we concentrate on the following market sectors:

• Aerospace & Defence
• Construction and Engineering
• Government
• Energy (including Oil & Gas, Mining and Utilities)

The opportunity

Our target customers typically wish to improve business performance in order to manage shareholder value. The effective identification, analysis and management of risk are key components in improving both operational and financial performance, and while organisations recognise this, critical exposures still exist in many companies. Executive-level perception of risk continues to be obscured by organisational silos and outdated or inefficient systems potentially leaving a performance gap between an organisation's expectations for risk management and what is actually realised.

How Active Risk takes advantage of this opportunity

We help our customers to succeed by making risk management a valuable and less complex process. Active Risk ensures that business leaders have actionable data to make informed business decisions and capture strategic value within their organisation. Our product Active Risk Manager ('ARM') addresses the risk management process in a comprehensive manner (encompassing the six steps of identification, analysis, control, monitoring, improvement and reporting) and is the only solution that simplifies the identification and analysis of all risks at every level in an organisation so that executives can establish an accurate view.

ARM brings the following benefits:

Competitive Advantage

Business leaders who understand their organisation's risk profile are better able to leverage it to create opportunity and competitive advantage. With superior ERM, risk can be addressed thoughtfully and proactively - ensuring that strategic goals are met:

• Predictability improves, outperforming competition with more on-time & on-budget deliveries;
• Reaction times decrease, improving business performance;
• Compliance is thoroughly addressed, boosting confidence and providing peace of mind; and
• Importantly, new opportunities are discovered, accelerating growth.

Strategic Visibility
Active Risk provides the only solution that can collect all risk data from anywhere in an organisation, at the point at which it is encountered - whether on a project, in operations, or at a strategic level. This ensures true risk visibility across an enterprise.

Actionable Data
Active Risk's ERM technology is designed to filter large quantities of risk data to ensure that executives have the exact information to meet their strategic goals. Comprehensive, real-time data is immediately actionable through dashboards and reports that are defined against business objectives.

Our competitive position
ARM is unique in being able to fulfil the end-to-end requirements of risk management with its scalable, integrated, standards-based, real time and consolidated view of enterprise-wide risk profiles. Our strategy and roadmap, based on customer needs and market trends, is designed to keep us focused and ahead of the market.

We are unrivalled as a company delivering a market-leading risk management software solution to our target industry sectors. We offer the most comprehensive software solution for risk and have industry experts in our team, with in-depth experience of successful large-scale risk management implementations. The essence of risk management is about culture change and our full service capability sets us apart. In addition, we believe our core services capabilities further set us apart by enabling us to integrate our risk management solution into our customers' existing complex process infrastructures.

Business review

The directors are satisfied with the performance for the year which was in line with expectations.

The performance of the company produced a decline in turnover of 17% when compared to the previous year. This can largely be attributed to a number of high value long-term Aerospace & Defence contracts that were awarded in 2016. Despite the lower turnover in 2017, the company still added a further 13 new customers in the year.

The release of the latest version of ARM in late 2017 is expected to drive a significant increase in turnover in the next financial year.

Turnover elsewhere in the group, specifically in Australia and the USA has been encouraging. The company has been able to maintain a comparable operating profit margin % due to transfer pricing income received from these group companies and continued careful cost management.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2017	2016
Turnover	£	4,412,654	5,377,371
Operating profit	£	2,388,496	2,905,088
Operating profit percentage	%	54	54
New Customers		13	17

There a number of non-financial performance indicators used by the directors but none are considered to be key.

Principal risks and uncertainties

The directors and management team oversee clear and effective risk management policies and procedures that cover all major financial transactions of the company. The directors are of the opinion that there is an adequate process in place to identify and evaluate principal risks.

The principal risks facing the company are as follows:

• Theft of Intellectual Property - the company is ISO27001 accredited which ensures robust information security for all of our company data, including our Intellectual Property. Specifically, access to our source code is restricted to key authorised personnel and the code is held in a secure repository. The company's management team regularly discuss and monitor information security.
• Failure to deliver on customer promise - the company is ISO9001 accredited with customer satisfaction being one of our key quality objectives for 2017. We regularly communicate to our customers about our plans for the software at our annual global conferences and via local informal user groups, considering their feedback when drawing up the product roadmap. At an operational level, we have a dedicated 24/7 support desk which all customers have access to. Each customer has a service level agreement with a clearly defined escalation process to ensure quick resolution of any issues.
• Incorrect corporate/product strategy
• Competitor takes largest market share
• Loss of major customers

In view of these risks and uncertainties the directors are looking carefully at both existing and potential new markets and are actively developing new products to remain competitive.

Reviews are carried out regularly to evaluate existing controls and develop future strategy for the management of risk.

Financial Instrument

The company uses basic financial instruments, other than derivatives, comprising bank balances, and various other items such as trade debtors and trade creditors. The main purpose of these instruments is to raise funds for and finance the company's operations.

It is and has been throughout the year under review, the company's policy that no trade in non-basic financial instruments shall be undertaken.

The company does not enter into any formal hedging arrangements.

Financial risk management objectives and policies

Liquidity, credit, price and cash flow risks are managed by the directors on a constant basis to ensure the company maintains adequate cash flows to serve its working capital requirements.

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from trading activities which are largely conducted in sterling.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses by authorisation of credit terms to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and ensuring regular monitoring of amounts outstanding for both time and credit limits in trade debtors.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The company manages this risk, where significant, and does not maintain any derivatives or complex financial instruments as explained above.

Future Developments

Our strategy is aligned to the direction of the risk market and we have built sales teams and partners with the necessary enterprise-wide skills and knowledge to communicate the business case and convert our ARM pipeline into new customers. This is supported by our marketing function which refines market targeting and delivers the ARM value proposition to the market.

The principal activity and trading performance of the company and group is expected to remain consistent for the foreseeable future.

Research and Development

Active Risk Limited is currently undertaking research and development in order to improve and diversify its software offering.

Approved by the Board on 10/7/18 and signed on its behalf by:

S.A. Allen

S A Allen
Director

ACTIVE RISK LIMITED

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

The directors who held office during the year were as follows:

S A Allen

J F Mottard

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

The company has chosen in accordance with s.414C (11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 to be contained in the directors' report. It has done so in respect of future developments, research & development and financial instruments.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 6/7/18 and signed on its behalf by:

SA Allen

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S A Allen
Director

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- 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.

Independent Auditor's Report to the Members of Active Risk Limited for the Year Ended 31 December 2017

Opinion

We have audited the financial statements of Active Risk Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, 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 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.

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 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.

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.

Opinion on other matter 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 our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our 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.

Brebners
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Philip Heath (Senior Statutory Auditor)
For and on behalf of

Brebners, Statutory Auditor
130 Shaftesbury Avenue
London
W1D 5AR

Date: 24th July 2018

ACTIVE RISK LIMITED

Income Statement for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	4,412,654	5,377,371
Cost of sales		(2,168,861)	(2,178,310)
Gross profit		**2,243,793**	**3,199,061**
Administrative expenses		(1,821,029)	(1,300,374)
Other operating income	4	1,965,732	1,006,401
Operating profit	5	**2,388,496**	**2,905,088**
Other interest receivable and similar income		49	1,105
Interest payable and similar expenses		-	(288)
		49	817
Profit before tax		**2,388,545**	**2,905,905**
Taxation	8	(491,929)	(581,181)
Profit for the financial year		**1,896,616**	**2,324,724**

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 26 form an integral part of these financial statements.

ACTIVE RISK LIMITED

Statement of Financial Position as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	9	3,548,591	1,652,258
Tangible assets	10	27,380	39,175
Investments	11	1	1
	11	3,575,972	1,691,434
Current assets			
Debtors	12	3,305,895	2,882,397
Cash at bank and in hand		1,614,123	1,481,723
		4,920,018	4,364,120
Creditors: Amounts falling due within one year	14	(2,681,786)	(2,137,966)
Net current assets		**2,238,232**	**2,226,154**
Net assets		**5,814,204**	**3,917,588**
Capital and reserves			
Called up share capital	16	21,559	21,559
Share premium reserve	17	679,762	679,762
Other reserves	17	3,200,000	3,200,000
Profit and loss account	17	1,912,883	16,267
Total equity		**5,814,204**	**3,917,588**

Approved and authorised by the Board on 10/7/18 and signed on its behalf by:

S A Allen

S A Allen
Director

Company registration number: 02119606

The notes on pages 14 to 26 form an integral part of these financial statements.

ACTIVE RISK LIMITED

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Share premium £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 January 2016	21,559	679,762	5,700,000	(2,308,457)	4,092,864
Profit for the year	-	-	-	2,324,724	2,324,724
Total comprehensive income	-	-	-	2,324,724	2,324,724
Distribution to owner	-	-	(2,500,000)	-	(2,500,000)
At 31 December 2016	**21,559**	**679,762**	**3,200,000**	**16,267**	**3,917,588**

	Share capital £	Share premium £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 January 2017	21,559	679,762	3,200,000	16,267	3,917,588
Profit for the year	-	-	-	1,896,616	1,896,616
Total comprehensive income	-	-	-	1,896,616	1,896,616
At 31 December 2017	**21,559**	**679,762**	**3,200,000**	**1,912,883**	**5,814,204**

The notes on pages 14 to 26 form an integral part of these financial statements.

1 GENERAL INFORMATION

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office and principal place of business is:
1 Grenfell Road
Maidenhead
Berkshire
SL6 1HN
United Kingdom

The principal activity of the company is the development and distribution of a market leading enterprise and risk management software solution - Active Risk Manager ("ARM").

2 ACCOUNTING POLICIES

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except any items disclosed in the accounting policies as being shown at fair value and are presented in sterling, which is the functional currency of the entity.

Going concern

The company and group have considerable financial resources, the continued support from the parent undertaking, sufficient cash at bank and has long-term contracts with a number of customers across different industries. The directors believe that the company and group are well placed to manage business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Sword Group SE, which can be obtained from swordgroup.com/investors. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the company.
(b) Disclosures in respect of financial instruments have not been presented.
(c) No disclosure has been given for the aggregate remuneration of key management personnel.

Group accounts not prepared

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. Key assumptions and other estimation uncertainty may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements and estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Research and development

Development expenditure is capitalised in accordance with the accounting policy given below. The initial capitalisation of such costs is based on management's judgement as to the technical and economic feasibility of project completion and assumptions regarding expected future cash generation, expected period of benefit and discount rates applied.

Impairment of trade debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing any potential impairment of trade debtors, management considers factors including the ageing profile of debtors and historical experience.

Revenue recognition

Turnover represents the fair value of consideration received in respect of sales of software, professional services and support services to external customers, net of Value Added Tax.

The company generates revenues from sales of its own software products directly to end users, sales of consultancy services, and customer support services.

Revenues from the sale of the company's own perpetual software licences are recognised where there is persuasive evidence of an agreement with a customer, delivery of the software has taken place, revenue collection is probable, the fee is fixed and determinable and all contingencies relating to the sale have been resolved. Periodic software licences are recognised over the period to which they relate.

Revenues from consultancy services are normally recognised as services are performed, on a time and materials basis. Occasionally consultancy projects are sold on a fixed price basis. In these cases, the profitability of the project is measured on a monthly basis and any loss is recognised immediately in the profit and loss account. If the project to date is profitable then revenue is recognised to the extent that the contract is performed.

Revenues from support contracts are recognised rateably over the term of the contract. Revenues from hosting activities are recognised over the period of usage.

Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current 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 is also recognised directly in other comprehensive income.

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 taxable income.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Research and Development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

• It is technically feasible to complete the intangible asset so that it will be available for use or sale;
• There is the intention to complete the intangible asset and use or sell it;
• There is the ability to use or sell the intangible asset;
• The use or sale of the intangible asset will generate probable future economic benefits;
• There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
• The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by the reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	**Amortisation method and rate**
Development costs	Straight line over 7 years

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Fixtures & Fittings	Between 20% and 33% straight line
Equipment	Between 20% and 50% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due.

Financial instruments

Classification
A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Recognition and measurement
Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Impairment
For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Related parties

For the purposes of these financial statements, a party is considered to be related to the company if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
(ii) the company and the party are subject to common control;
(iii) the party is an associate of the company or a joint venture in which the company is a venturer;
(iv) the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company; or
(vii) the party, or any member of a group of which it is part, provides key management personnel services to the company or its parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 TURNOVER

The analysis of the company's revenue for the year from continuing operations is as follows:

	2017 £	2016 £
Sale of goods	795,590	1,907,092
Rendering of services	3,617,064	3,470,279
	4,412,654	**5,377,371**

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2017 £	2016 £
United Kingdom	2,177,398	3,504,072
Rest of Europe	1,446,926	1,130,188
Rest of the World	788,330	743,111
	4,412,654	**5,377,371**

4 OTHER OPERATING INCOME

The analysis of the company's other operating income for the year is as follows:

	2017 £	2016 £
Other operating income	**1,965,732**	**1,006,401**

5 OPERATING PROFIT

Arrived at after charging/(crediting)

	2017 £	2016 £
Depreciation of tangible assets	21,611	43,024
Amortisation of intangible assets	98,126	57,498
Impairment of trade debtors	4,044	(107,385)
Foreign exchange differences	71,789	(185,090)
Operating property lease charges	120,088	117,335

6 STAFF COSTS

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £	2016 £
Wages and salaries	3,157,972	2,982,184
Social security costs	361,795	354,433
Pension costs, defined contribution scheme	201,564	196,611
	3,721,331	**3,533,228**

The average number of persons employed by the company during the year, analysed by category was as follows:

	2017 No.	2016 No.
Consulting and support	10	11
Selling and distribution	20	20
Administration	9	9
	39	**40**

7 AUDITORS' REMUNERATION

	2017 £	2016 £
Audit of the financial statements	**38,010**	**37,500**

8 TAXATION

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
UK corporation tax	453,824	581,181
UK corporation tax adjustment to prior periods	19,152	-
	472,976	581,181
Foreign tax adjustment to prior periods	18,953	-
Tax expense in the income statement	**491,929**	**581,181**

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	**2,388,545**	**2,905,905**
Corporation tax at standard rate	459,795	581,181
Effect of expense not deductible in determining taxable profit (tax loss)	(1,585)	5,653
Effect of tax losses	(19)	(558,565)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	19,152	-
Deferred taxation	-	575,372
Tax increase (decrease) from effect of capital allowances and depreciation	29,621	(22,460)
Tax increase (decrease) arising from group relief	(30,339)	-
Double taxation relief	(3,649)	-
Foreign taxes	18,953	-
Total tax charge	**491,929**	**581,181**

Deferred tax

Deferred tax assets and liabilities

2017	**Asset** **£**
Accelerated capital allowances	49,646
Provisions	4,308
	53,954

2016	Asset £
Accelerated capital allowances	49,646
Provisions	4,308
	53,954

The company has tax losses of £Nil (2016: £19,142) to carry forward as at 31st December 2017.

9 INTANGIBLE ASSETS

	Development costs £
Cost or valuation	
At 1 January 2017	1,723,997
Additions	1,994,458
At 31 December 2017	3,718,455
Amortisation	
At 1 January 2017	71,739
Amortisation charge	98,125
At 31 December 2017	169,864
Carrying amount	
At 31 December 2017	**3,548,591**
At 31 December 2016	**1,652,258**

Amortisation of intangible fixed assets is included in administrative expenses.

10 TANGIBLE ASSETS

	Fixtures and fittings £	Equipment £	Total £
Cost or valuation			
At 1 January 2017	398,093	547,936	946,029
Additions	-	9,818	9,818
Disposals	(3,578)	(140,224)	(143,802)
At 31 December 2017	394,515	417,530	812,045
Depreciation			
At 1 January 2017	380,278	526,578	906,856
Charge for the year	9,519	12,092	21,611
Eliminated on disposal	(3,578)	(140,224)	(143,802)
At 31 December 2017	386,219	398,446	784,665
Carrying amount			
At 31 December 2017	**8,296**	**19,084**	**27,380**
At 31 December 2016	**17,816**	**21,359**	**39,175**

11 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Subsidiaries	**£**
Cost or valuation	
At 1 January 2017 and 31 December 2017	2
Provision	
At 1 January 2017 and 31 December 2017	1
Carrying amount	
At 31 December 2017	**1**
At 31 December 2016	**1**

Subsidiary, associates and other investments

The company holds or has beneficial interest in 20% or more of the share capital of the following principal companies:

	Registered Office	Class of share	Proportion held	Business
Active Risk Proprietary Limited	40/140 William Street Melbourne VIC 3000 Australia	Ordinary	100%	Risk management software
Active Risk Inc	13221 Woodland Park Road Suite 440 Herndon, VA 20171 United States	Common Stock	100%	Risk management software

The company is not required to disclose the aggregate capital and reserves, and the profit and loss account under the Companies Act 2006 for the principal subsidiary undertakings as it is exempt by virtue of Section 400 of the Companies Act 2006 from preparing group accounts as it is part of a larger group preparing consolidated accounts. The information in the financial statements are for the company only.

12 DEBTORS

	Note	2017 £	2016 £
Trade debtors		833,433	674,457
Amounts owed by related parties	19	1,922,779	1,636,244
Other debtors		36,930	48,397
Prepayments and accrued income		458,799	469,345
Deferred tax assets	8	53,954	53,954
		3,305,895	**2,882,397**
Less non-current portion		(43,884)	(43,884)
Total current trade and other debtors		**3,262,011**	**2,838,513**

Details of non-current trade and other debtors

The debtors above include £43,884 (2016: £43,884) of prepayments and accrued income classified as non current.

13 CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank	1,614,123	1,481,723

14 CREDITORS

	Note	2017 £	2016 £
Due within one year			
Trade creditors		180,145	91,728
Amounts due to related parties	19	-	72,977
Social security and other taxes		148,135	185,666
Other payables		496,776	350,414
Accrued expenses		1,503,356	1,431,372
Corporation tax liability	8	353,374	5,809
		2,681,786	**2,137,966**

15 PENSION AND OTHER SCHEMES

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £201,563 (2016: £196,612).

16 SHARE CAPITAL

Allotted, called up and fully paid shares

	2017 No.	 £	2016 No.	 £
Ordinary shares of £0.05 each	362,519	18,125.95	362,519	18,125.95
Ordinary 'A' shares of £0.05 each	68,655	3,432.75	68,655	3,432.75
	431,174	**21,559**	**431,174**	**21,559**

17 RESERVES

The share premium contains the premium arising on issue of equity shares, net of issue expenses.

The capital contribution reserve records all capitalised investments.

The profit and loss account includes all current and prior retained earnings and accumulated losses.

18 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

Operating leases

The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	120,125	120,125
Later than one year and not later than five years	450,469	480,500
Later than five years	-	90,094
	570,594	**690,719**

19 RELATED PARTY TRANSACTIONS

In accordance with FRS 102 paragraph 33.1A, exemption is taken not to disclose transactions in the year between wholly owned group undertakings.

During the year the aggregate value of transactions with other group undertakings included recharge of expenses to and purchases of £39,868 (2016: £41,296) and management charges payable of £103,572 (2016: £107,330).

20 CONTROLLING PARTY

The company's immediate parent undertaking is Active Risk Group Limited.

The ultimate controlling party is Sword Group SE whom the directors consider the ultimate parent undertaking. The head office of Sword Group SE is located at Luxembourg, Route d'Arlon 2-4, L-8399 Windhof.

Group accounts are prepared by Sword Group SE including the results of Active Risk Limited. This is the largest and smallest group preparing group accounts.

21 NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

On 25th May 2018 a dividend of £1,000,000 was paid by the company.