REGISTERED NUMBER: 04230977 (England and Wales)

Strategic Report, Report of the Director and

Audited Financial Statements

for the Year Ended 31 October 2018

for

ENGHOUSE INTERACTIVE (UK) LIMITED

Contents of the Financial Statements
for the Year Ended 31 October 2018

ENGHOUSE INTERACTIVE (UK) LIMITED

Company Information
for the Year Ended 31 October 2018

DIRECTOR:	S J Sadler
REGISTERED OFFICE:	Imperium Imperial Way Reading Berkshire RG2 0TD
REGISTERED NUMBER:	04230977 (England and Wales)
SENIOR STATUTORY AUDITOR:	Neil John Gadeke FCCA
INDEPENDENT AUDITORS:	Masons Statutory Auditors 337 Bath Road Slough Berkshire SL1 5PR

ENGHOUSE INTERACTIVE (UK) LIMITED (REGISTERED NUMBER: 04230977)

Strategic Report
for the Year Ended 31 October 2018

The director presents his strategic report for the year ended 31 October 2018.

REVIEW OF BUSINESS
The results for the year and the financial position at the year-end were considered satisfactory by the director who expects continued growth in the foreseeable future.

The financial statements are prepared under FRS 101 - Reduced Disclosure Framework and advantage has been taken of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Enghouse Systems Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in notes to these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business and the execution of the company's strategy are subject to a number of risks.
The key business risks affecting the company are set out below.

Risks are reviewed by management on an on-going basis and appropriate processes put in place to monitor and mitigate them.

(i) Competition
The group operates in a highly competitive market particularly around price and product availability/quality.
This results not only in downward pressure on margins, but also the risk that we will not meet our customers' expectations. In order to mitigate this risk, management review pricing on an on-going basis. Furthermore, we undertake market research and customer surveys to understand our customers' expectations and whether their needs are being met.

(ii) Economic, business and political environment
Periodic difficulties or changes in the domestic or international economic, business or political environment particularly affecting the technology industry or industries from which we derive a significant portion of our revenues, increase the likelihood that customers will unexpectedly delay, cancel or reduce the size of orders.

Management continues to invest in maintaining existing partner relationships and further establishing and expanding relationships with partners such that any general decline in trading conditions can be countered by expanding our opportunity base and attachment rate.

(iii) Product development
As the technological, market and industry conditions in our business can change very rapidly, if we do not

successfully adapt our products to these changes, our revenues and profits can be damaged. This risk is mitigated by continuing to invest significantly in developing new products and enhancing existing products to respond to customer requirements, keeping pace with merging technologies as well as investing in an on-going program of education and training of our sales force and partners.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of providing software and services to medium and large enterprises. By combining voice recognition, speaker verification and CTI in an open standards solution, we are able to provide solutions and services that solve business problems, deliver reductions in operating costs, improve process efficiency and deliver a measurable return on investment.

Strategic Report for the Year Ended 31 October 2018

KEY PERFORMANCE INDICATORS
Given that the company is a fully owned subsidiary of Enghouse Systems Limited which is a public company listed on the Toronto stock exchange, the Director is of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs for the Enghouse Group can be found on page 1 of the Enghouse Systems Limited Annual Report 2017.

ON BEHALF OF THE BOARD:

S J Sadler - Director

19 July 2019

Report of the Director for the Year Ended 31 October 2018

The director presents his report with the financial statements of the company for the year ended 31 October 2018.

DIVIDENDS
An interim dividend of £50.77108 per share was paid on the Ordinary £1 shares on 1 October 2018. No dividends were paid on any other classes of shares.

The total distribution of dividends for the year ended 31 October 2018 will be £ 16,000,000 .

RESEARCH AND DEVELOPMENT
In order to maintain the competitive position of the Company, there is a dedicated development team at Group level.

FUTURE DEVELOPMENTS
The company is a subsidiary of Enghouse Systems Limited, a publicly traded Canadian based software and services company founded in 1984. Enghouse serves a number of distinct vertical markets through its two divisions, each developing and selling enterprise oriented applications software.

Enghouse's overall strategy is to create a larger and more diverse enterprise software company through strategic acquisitions and managed growth. The company is led by a seasoned team of proven executives who have years of experience building and running successful software companies.

The external commercial environment is expected to remain competitive in 2018, while economic conditions remain uncertain. However, we remain confident we will maintain our market position through leveraging existing strong partner relationships and by continuing to invest in our product portfolio.

DIRECTOR
S J Sadler held office during the whole of the period from 1 November 2017 to the date of this report.

FINANCIAL RISK MANAGEMENT
The director is responsible for setting risk management policies. The company's operations expose it to a variety of financial risks that include the effects of risk and liquidity. The company has processes in place to ensure these risks are minimised.

i) Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

ii) Liquidity risk
The company aims to continuously assess and observe the level of funding required to finance the business to ensure that it has sufficient liquid assets for financing its operations.

iii) Price risk and interest risk
The company does not consider that it is exposed to any material risks in relation to price or interest rates.

Report of the Director for the Year Ended 31 October 2018

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

EMPLOYEE INVOLVEMENT

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Report of the Director
for the Year Ended 31 October 2018

AUDITORS

The auditors, Masons Statutory Auditors, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S J Sadler - Director

19 July 2019

Report of the Independent Auditors to the Members of Enghouse Interactive (UK) Limited

Opinion

We have audited the financial statements of Enghouse Interactive (UK) Limited (the 'company') for the year ended 31 October 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, 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 101 'Reduced Disclosure Framework' (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 October 2018 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 Auditors' 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors 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.

Report of the Independent Auditors to the Members of Enghouse Interactive (UK) Limited

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Director have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Director.

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director
As explained more fully in the Statement of Director's Responsibilities set out on page five, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of Enghouse Interactive (UK) Limited

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 a Report of the Auditors 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.

Neil John Gadeke FCCA (Senior Statutory Auditor)
for and on behalf of Masons Statutory Auditors
337 Bath Road
Slough
Berkshire
SL1 5PR

19 July 2019

ENGHOUSE INTERACTIVE (UK) LIMITED (REGISTERED NUMBER: 04230977)

Statement of Comprehensive Income
for the Year Ended 31 October 2018

	Notes	31.10.18 £'000	31.10.17 £'000
TURNOVER	3	23,749	23,892
Cost of sales		603	622
GROSS PROFIT		23,146	23,270
Administrative expenses		14,494	15,853
		8,652	7,417
Other operating income		-	228
OPERATING PROFIT		8,652	7,645
Interest receivable and similar income		145	1
		8,797	7,646
Interest payable and similar expenses	5	-	8
PROFIT BEFORE TAXATION	6	8,797	7,638
Tax on profit	8	1,609	1,604
PROFIT FOR THE FINANCIAL YEAR		7,188	6,034
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,188	6,034

The notes form part of these financial statements

ENGHOUSE INTERACTIVE (UK) LIMITED (REGISTERED NUMBER: 04230977)

Balance Sheet
31 October 2018

		31.10.18		31.10.17	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		1,014		734
Investments	11		39,122		39,122
			40,136		39,856
CURRENT ASSETS					
Debtors	12	9,387		12,631	
Cash at bank		1,715		8,105	
		11,102		20,736	
CREDITORS					
Amounts falling due within one year	13	8,798		9,340	
NET CURRENT ASSETS			2,304		11,396
TOTAL ASSETS LESS CURRENT LIABILITIES			42,440		51,252
CAPITAL AND RESERVES					
Called up share capital	16		316		316
Share premium	17		20,972		20,972
Retained earnings	17		21,152		29,964
SHAREHOLDERS' FUNDS			42,440		51,252

The financial statements were approved by the director on 19 July 2019 and were signed by:

S J Sadler - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 October 2018

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 November 2016	316	23,930	20,972	45,218
Changes in equity				
Total comprehensive income	-	6,034	-	6,034
Balance at 31 October 2017	316	29,964	20,972	51,252
Changes in equity				
Dividends	-	(16,000)	-	(16,000)
Total comprehensive income	-	7,188	-	7,188
Balance at 31 October 2018	316	21,152	20,972	42,440

The notes form part of these financial statements

ENGHOUSE INTERACTIVE (UK) LIMITED (REGISTERED NUMBER: 04230977)

Notes to the Financial Statements
for the Year Ended 31 October 2018

1. **STATUTORY INFORMATION**

Enghouse Interactive (UK) Limited is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The Company as parent of a group has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Enghouse Systems Limited which is a public company listed on the Toronto stock exchange and is included in their consolidated financial statements.

2. **ACCOUNTING POLICIES**

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;

- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

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2. **ACCOUNTING POLICIES - continued**

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments:

The Company has entered into leases for buildings, vehicles and office machinery. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Taxation:

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Turnover

Revenue represents net invoiced sales of goods, excluding value added tax. 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 at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The company has four main streams of turnover. The streams along with the accounting policy associated with their recognition are as follows:

- Software licence and hardware sales - Turnover is recognised in full upon shipment of the software. This is deemed to be at the point of delivery to the customer.

- Maintenance sales - Maintenance sales are held on the balance sheet as "deferred revenue" and amortised over the period of maintenance to which it relates on a straight line basis.

- Service sales - Turnover for services such as consultancy and training are recognised upon the performance of the service.

- Hosted revenue - Software and services supplied over a centrally hosted platform are recognised by the number of ports used by the customers each month.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	-	Straight line over period of lease
Fixtures, fittings and equipment	-	33% on reducing balance

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2. **ACCOUNTING POLICIES - continued**

Financial instruments, assets and liabilities

(i) Financial assets

Initial recognition and measurement
The Company's financial assets include cash and short-term deposits, trade and other receivables and loans.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses. Trade debtors, which generally have 30 day invoice terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Derecognition of financial assets
A financial asset is derecognised when (a) the rights to receive cash flows from the asset have expired or (b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortise cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial liabilities

continued...

2. **ACCOUNTING POLICIES - continued**

Initial recognition and measurement
All of the Company's financial liabilities are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings
Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

(iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arms length market transactions; reference to the current fair value of another instrument this is substantially the same; discounted cash flow analysis or other valuation models.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Research and development
Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

continued...

2. **ACCOUNTING POLICIES - continued**

Investments
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the director where there has been an indication of potential impairment.

Going concern
The director believes that the Company is well placed to manage its business risks successfully. After making enquiries, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the director continues to adopt the going concern basis in preparing the annual report and financial statements.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	31.10.18	31.10.17
	£'000	£'000
Hosting revenue	1,289	1,358
Professional services	2,394	1,713
Maintenance revenue	11,361	11,925
Software licences	8,438	8,755
Hardware & third party licence	267	141
	23,749	23,892

An analysis of turnover by geographical market is given below:

	31.10.18	31.10.17
	£'000	£'000
United Kingdom	17,122	19,662
Europe	5,102	3,126
Rest of the world	1,525	1,104
	23,749	23,892

4. **EMPLOYEES AND DIRECTORS**

	31.10.18	31.10.17
	£'000	£'000
Wages and salaries	7,141	6,533
Social security costs	1,252	793
Other pension costs	313	272
	8,706	7,598

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4. EMPLOYEES AND DIRECTORS - continued

The average number of employees during the year was as follows:

	31.10.18	31.10.17
Technical services	38	39
Sales and marketing	24	25
Research and development	22	23
Finance and administration	33	32
	117	119

During the year, employees working in research and development were recharged to Enghouse Development UK Limited, another group company.

	31.10.18	31.10.17
	£	£
Director's remuneration	-	-

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.10.18	31.10.17
	£'000	£'000
Bank interest	-	8

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	31.10.18	31.10.17
	£'000	£'000
Cost of inventories recognised as expense	603	622
Depreciation - owned assets	391	318
Foreign exchange differences	11	(228)
Operating leases - rent	135	207
Operating leases - plant and machinery	-	33

The charges for operating leases are borne by the company but the financial commitment remains with Enghouse Development (UK) Limited.

7. AUDITORS' REMUNERATION

	31.10.18	31.10.17
	£'000	£'000
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	29	70

continued...

7. AUDITORS' REMUNERATION - continued

For the financial statement ended 31 October 2017 the company had 2 separate auditors being
PricewaterhouseCoopers LLP and Masons. The remuneration payable to each auditor was:

	£'000
- PricewaterhouseCoopers LLP	55
- Masons	15

Audit fees of £6,500 (2017 - £5,000) for the following companies are borne by the company; Arc
Solutions (International) Limited, Enghouse Development (UK) Limited and Enghouse Interactive
Holdings (UK) Limited.

8. TAXATION

Analysis of tax expense

	31.10.18 £'000	31.10.17 £'000
Current tax:		
Tax	1,615	1,635
Deferred tax	(6)	(31)
Total tax expense in statement of comprehensive income	1,609	1,604

Factors affecting the tax expense

The tax assessed for the year is lower (2017 - higher) than the standard rate of corporation tax in the
UK. The difference is explained below:

	31.10.18 £'000	31.10.17 £'000
Profit before income tax	8,797	7,638
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	1,671	1,451
Effects of:		
Expenses not taxable for tax purposes	6	34
Capital allowances in excess of depreciation	(26)	42
Group loss relief	-	(8)
Adjustment in respect of prior years	(133)	(63)
Withholding tax adjustment	91	116
Change in the prevailing rate of tax	-	32
Tax expense	1,609	1,604

continued...

9. DIVIDENDS

	31.10.18	31.10.17
	£'000	£'000
Ordinary shares of £1 each		
Interim	16,000	-

10. TANGIBLE FIXED ASSETS

	Short leasehold	Fixtures, fittings and equipment	Totals
	£'000	£'000	£'000
COST			
At 1 November 2017	230	1,092	1,322
Additions	-	671	671
At 31 October 2018	230	1,763	1,993
DEPRECIATION			
At 1 November 2017	37	551	588
Charge for year	24	367	391
At 31 October 2018	61	918	979
NET BOOK VALUE			
At 31 October 2018	169	845	1,014
At 31 October 2017	193	541	734

11. INVESTMENTS

	Shares in group undertakings
	£'000
COST	
At 1 November 2017 and 31 October 2018	39,122
NET BOOK VALUE	
At 31 October 2018	39,122
At 31 October 2017	39,122

continued...

11. INVESTMENTS - continued

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Andtek GmbH
Registered office: A company registered in Germany
Nature of business: Software

Class of shares:	% holding
Ordinary	100.00

Enghouse Holdings (UK) Limited
Registered office: Imperium, Imperial Way, Reading, Berkshire, Reading RG2 0TD
Nature of business: Holding company

Class of shares:	% holding
Ordinary	
Preference	83.00

Enghouse Transportation Limited
Registered office: A company registered in Canada
Nature of business: Software

Class of shares:	% holding
Preference	100.00

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.10.18 £'000	31.10.17 £'000
Trade debtors	4,494	4,351
Amounts owed by group undertakings	4,312	7,288
Deferred tax asset	86	80
Prepayments and accrued income	495	912
	9,387	12,631

Amounts owed by group undertakings are potentially subject to a nominal interest charge, are unsecured and repayable upon demand.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.10.18 £'000	31.10.17 £'000
Trade creditors	719	728
Tax	1,116	971
VAT	193	303
Other creditors	137	-
Accruals and deferred income	6,633	7,338
	8,798	9,340

continued...

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts owed to group undertakings are potentially subject to a nominal interest charge, are
unsecured and repayable upon demand.

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.10.18	31.10.17
	£'000	£'000
Within one year	198	124
Between one and five years	1,046	956
In more than five years	662	927
	1,906	2,007

15. DEFERRED TAX

	£'000
Balance at 1 November 2017	(80)
Provided during year	(6)
Balance at 31 October 2018	(86)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do
so.

continued...

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	Class	Nominal value:	31.10.18 £	31.10.17 £
3,624,785	Participating Preferred	0.001p	36	36
2,840,000	Deferred	0.001p	28	28
3,684,791	Convertible Preferred	0.001p	37	37
60,000,000	Senior Convertible Preference	0.001p	600	600
5,371,552	A Ordinary	0.001p	54	54
315,140	Ordinary	£1	315,140	315,140
			315,895	315,895

The 'A' ordinary shares, participating preferred shares, convertible preferred shares and senior convertible preference shares rank equally in respect of dividends and votes. The deferred shares have no entitlement to dividends or to vote.

Upon the winding up of the company any surplus is used first to repay the capital of the holders of the senior convertible preference shares, then to the participating preferred shares and then the holders of the convertible preferred shares. In any remaining surplus up to a maximum of £1,000,000, the holders of the participating preferred shares and the 'A' ordinary shares shall then rank as one class.
Amounts over and above this are first used to repay the subscription price to the holders of the deferred shares and then allocated to the holders and the participating preferred shares and the 'A' ordinary shares who shall then rank as one class.

17. RESERVES

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 November 2017	29,964	20,972	50,936
Profit for the year	7,188		7,188
Dividends	(16,000)		(16,000)
At 31 October 2018	21,152	20,972	42,124

18. ULTIMATE PARENT COMPANY

Enghouse Systems Limited (incorporated in Canada) is regarded by the director as being the company's ultimate parent company.

The company's immediate parent undertaking is Enghouse Interactive Holdings (UK) Limited, a company incorporated in England and Wales.

The only group in which the results of the company for the year ended 31 October 2018 are

consolidated was that headed by Enghouse Systems Limited. The consolidated accounts of this group
for that year are available to the public and may be obtained from
https://www.enghouse.com/investors/financials.php.