

**TESSELLA LIMITED**

**Financial Statements  
for the period ended**

**31 December 2017**

**Company registration number 01466429**

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# **TESSELLA LIMITED**

## **Directors, officers and advisers**

### **Directors:**

MR Kirwan

MJ Simms

RJ Byrne

### **Company Secretary:**

S Toresse

### **Independent Auditor:**

Constantin

25 Hosier Lane

EC1A 9LQ

### **Registered office:**

26 The Quadrant

Abingdon Science Park

Abingdon

Oxfordshire

OX14 3YS

### **Company registration number:**

01466429

# TESSELLA LIMITED

## Strategic report for the period ended 31 December 2017

### Chief Executive's Statement

I am delighted to report another year of excellent progress for the Company as it becomes established as the Altran Group's World Class Center for Analytics. The Altran Group is a global leader in Engineering and R&D services (ER&D), supporting its clients in the creation and development of products and services.

The acquisition of Tessella in December 2015 has provided Tessella with the opportunity to access, and provide value to, Altran's impressive blue-chip global client base, a process that is now well underway. The first World Class Center Analytics satellite was established in 2017 in Spain, with three more expected to be launched in 2018. These satellites allow Tessella to offer its analytics services locally and within a culture that is familiar to the clients.

The Company's financial performance ended the period ahead of budget. The revenues have increased in the 12 months ending December 2017 by 4.2% (prorating 2016 performance to 12 months) and the Company increased its EBITDA over the same period by 24.5%. We continue to access the burgeoning analytics and Artificial Intelligence market, where solving complex business problems requires the deployment of innovative data science skills and technology mixed with deep domain understanding. Despite the fast growth in demand for data science, Tessella's end to end analytics service offer still retains strong differentiation.

I should like to pay a huge tribute to all of our staff, including those who operate within our satellites, for their continued and unrelenting support, innovation, creativity and dedication during a year of further changes. They remain the core factor in creating the exceptional culture of our Company, which is central to attracting world class staff and delivering highly complex and value creating assignments for our clients.

Tessella can look forward to the future with confidence and indeed excitement in terms of the potential to deliver many more world enhancing projects.

### Principal Activities

The principal activity of the Company during the period was the provision of Analytics Services, Application Development & Systems Integration, Consultancy as well as Support and Maintenance services to leading scientific and engineering organisations in the UK, US and Europe. The services include business consulting, IT consulting (business analysis, IT strategy, supplier selection and IT architecture), project management, software development, installation and on-going support.

### Financial key performance Indicators

The Company uses a series of key financial performance indicators to manage the business, including:

1. Revenue
2. EBITDA (earnings before interest, tax, depreciation and amortisation)
3. Cash reserves

## TESSELLA LIMITED

### Strategic report for the period ended 31 December 2017 (continued)

Period	12 months to 31 December 2017	9 months to 31 December 2016
Revenue	£23,758,051	£17,096,960
EBITDA	£5,440,909	£3,303,613
Cash reserves	£7,387,615	£4,695,555

A percentage change between periods has not been shown as the periods are of different lengths and are not therefore directly comparable.

#### Principal risks and uncertainties

The Company monitors cash flow as part of its day-to-day control procedures. The Board considers cash flow projections on a regular basis and ensures that appropriate funds are available as necessary. Further details of the Company's financial risk management policies, including foreign exchange risk, are given below. The Board reviews the risks facing the Company on a regular basis and actions are taken to mitigate risk where practicable.

This report was approved by the board on September 6, 2018 and signed on its behalf by



M J Simms

Director

Date: September 6, 2018

Company registration number: 01466429

## **TESSELLA LIMITED**

### **Directors' Report for the period ended 31 December 2017**

The Directors present their report and the financial statements of the Company for the period ended 31 December 2017.

#### **Results and dividends**

The profit for the period, after taxation, amounted to £4,162,472 (9 month period ended 31 December 2016 - £2,076,236). A dividend of £nil was paid during the period (9 month period ended 31 December 2016: £nil).

#### **Subsidiaries and branches**

Tessella Ltd operates in The Netherlands through its Branch in Den Haag and in United States through its affiliate Tessella Inc, with 3 offices in Houston, Boston and Washington.

As a group, in 2017, 77% of the total external turnover was obtained by the UK entity, 17% by the US affiliate, and 6% by the Netherlands branch.

#### **Future developments**

Tessella Ltd and its subsidiaries are a strategic part of the future development of the Altran Group business, which includes helping clients to resolve their challenges within the digital arena. It is through expanding the Analytics World Class Center and satellites (Spain, France, etc), that Tessella and Altran will bring its clients the expertise in use of data science to accelerate evidence-based decision making, allowing businesses to improve profitability, reduce costs, streamline operations, avoid errors and out-innovate the competition.

#### **Research and development**

Tessella Ltd research and development work involves among others development of standard software, assembling and carrying out routing operations on the presentation of data, standard methods of encryption, security verification and data integrity testing, assembling components of programs to an established pattern, etc.

#### **Financial risk management objectives and policies**

The Company is exposed to a variety of financial risks which result from its operating activities. The board is responsible for co-ordinating the Company's risk management and focuses on actively securing the Company's short-to-medium-term cash flows.

The most significant financial risks to which the Company is exposed are described below.

##### *Cash flow and liquidity risk*

The Company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest assets safely and securely. All funds surplus to requirements are transferred to deposit accounts.

##### *Credit risk*

The Company's credit risk is primarily due to its trade debtors. However, because of its blue-chip customer base, the Company has not historically had high levels of unrecoverable debt and exposure is also spread over a large number of clients.

##### *Foreign exchange risk*

Foreign exchange risk is partially mitigated by a natural hedge in matching costs with revenue denominated in the same currency and having forward contracts placed.

## **TESSELLA LIMITED**

### **Directors' Report for the period ended 31 December 2017 (continued)**

#### **Directors**

The Directors who served the Company during the period were as follows:

MJ Simms

RJ Byrne

MR Kirwan (appointed 11 May 2017)

A Gaby (resigned 11 May 2017)

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments 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.

#### **Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Post balance sheet events**

No significant events took place between the end of the period and the approval of the financial statements.

## **TESSELLA LIMITED**

### **Directors' Report for the period ended 31 December 2017 (continued)**

#### **Auditors**

Constantin have been reappointed as auditors in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on September 6, 2018 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'M J Simms', written over a horizontal line.

M J Simms

Director

Date: September 6, 2018

Company registration number: 01466429



**Independent Auditor's report to the members of Tessella Limited**

**Report on the audit of the financial statements**

**Opinion**

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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tessella Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22 (including the statement of 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).

**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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

**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 respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

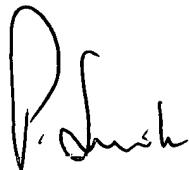
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## TESSELLA 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 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.



Peter Smith FCA (Senior statutory auditor)

For and on behalf of Constantin, Chartered Accountants and Statutory Auditors

25 Hosier Lane  
London  
EC1A 9LQ

September 6, 2018

# TESSELLA LIMITED

## Statement of Comprehensive Income for the period ended 31 December 2017

	Note	Year ended 31 December 2017 £	9 months to 31 December 2016 £
<b>Turnover</b>	4	23,758,051	17,096,960
<b>Cost of Sales</b>		(12,095,321)	(8,200,851)
<b>Gross Profit</b>		<u>11,662,730</u>	<u>8,896,109</u>
<b>Administrative expenses</b>		<u>(6,568,277)</u>	<u>(5,703,076)</u>
<b>Operating profit</b>	5	5,094,453	3,193,033
<b>Interest receivable and similar income</b>		<u>3,684</u>	<u>13,178</u>
<b>Profit before tax</b>		5,098,137	3,206,211
<b>Tax on profit</b>	8	(935,665)	(1,129,975)
<b>Profit for the period</b>		4,162,472	2,076,236
<b>Other comprehensive income for the period</b>			
Items which may be subsequently reclassified to profit or loss:			
Currency translation differences in relation to foreign branch		<u>-</u>	<u>23,110</u>
<b>Total comprehensive income for the period</b>		<u><u>4,162,472</u></u>	<u><u>2,099,346</u></u>

The notes on pages 15 to 28 form part of these financial statements.

# TESSELLA LIMITED

## Statement of Financial Position as at 31 December 2017

	Notes	31 December 2017 £	31 December 2016 £
<b>Assets</b>			
<b>Fixed assets</b>			
Investments	9	32,258	32,258
Tangible fixed assets	10	504,201	778,889
		<u>536,459</u>	<u>811,147</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	17,639,252	12,866,979
Cash at bank and in hand		7,387,615	4,695,555
		<u>25,026,867</u>	<u>17,562,534</u>
Creditors: amounts falling due within one year	12	(9,905,276)	(6,860,053)
		<u>(9,905,276)</u>	<u>(6,860,053)</u>
<b>Net current assets</b>		15,121,591	10,702,481
<b>Total assets less current liabilities</b>		<u>15,658,050</u>	<u>11,513,628</u>
<b>Creditors: amounts falling due after more than one year</b>		-	(18,050)
<b>Net assets</b>		<u>15,658,050</u>	<u>11,495,578</u>
<b>Capital and reserves</b>			
Called up share capital	15	60,002	60,002
Share premium account		207,991	207,991
Profit and loss account		15,390,057	11,227,585
<b>Shareholders' funds</b>		<u>15,658,050</u>	<u>11,495,578</u>

The financial statements were approved by the Board of Directors and authorised for issue on September 6, 2018 and were signed on its behalf by



M J Simms  
Director

Company registration number: 01466429

The notes on pages 15 to 28 form part of these financial statements.

# TESSELLA LIMITED

## Statement of Changes in Equity for the period ended 31 December 2017

	Share capital £	Share premium £	Retained earnings £	Total £
<b>Balance at 1 April 2016</b>	60,002	207,991	9,128,239	9,396,232
Comprehensive income for the year:				
Profit for the year	-	-	2,076,326	2,076,326
Currency translation differences in relation to foreign branch	-	-	23,110	23,110
<b>Total comprehensive income for the year:</b>	-	-	2,099,346	2,099,346
<b>At 31 December 2016</b>	<u>60,002</u>	<u>207,991</u>	<u>11,227,585</u>	<u>11,495,578</u>
Comprehensive income for the period:				
Profit for the period	-	-	4,162,472	4,162,472
Currency translation differences in relation to foreign branch	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-
<b>At 31 December 2017</b>	<u>60,002</u>	<u>207,991</u>	<u>15,390,057</u>	<u>15,658,050</u>

The notes on pages 15 to 28 form part of these financial statements.

**Notes to the Financial Statements for the period ended 31 December 2017**

**1. Company information**

The Company is a company limited by shares incorporated and domiciled in England and Wales, registered number 01466429. The address of its registered office is 26 The Quadrant, Abingdon Science Park, Abingdon, Oxfordshire OX14 3YS.

The Company's principal business during the year was the provision of Analytics Services, Application Development & Systems Integration, Consultancy as well as Support and Maintenance services to leading scientific and engineering organisations in the UK, US and Europe.

**2. Accounting policies**

**Basis of preparation of financial statements**

The financial statements have been prepared under the historical costs convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standard 102 (the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland), and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3). Figures presented are rounded to the nearest £1.

The company is a "qualifying company" for the purposes of FRS 102. The Company has adopted the following disclosure exemptions on account of all figures being fully consolidated into publicly available accounts being prepared "by its ultimate parent company" using full disclosures:

- the requirement of the whole of FRS 102 section 7 to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments (FRS 102 paragraphs 11.41 to 11.44),
  - items of income, expenses, gains or losses relating to financial instruments (FRS 102 paragraph 11.48),
  - exposure to and management of financial risks (FRS 102 paragraph 11.48A),
- disclosure of key management personnel compensation (FRS 102 paragraph 33.7);
- disclosure of relationship transaction between wholly owned companies (exemption from FRS 102 para 33.1A)

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

**Going concern**

The financial statements are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the future trading including profit and cash forecasts. The business has a track record of profitable growth and is cash generative and this is expected to continue. It is therefore considered appropriate to adopt a going concern basis of accounting in the preparation of the financial statements.

**Notes to the Financial Statements for the period ended 31 December 2017 (continued)****2. Accounting policies (continued)****Turnover**

Turnover is recognised as earned when, and to the extent that, the Company obtains the rights to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Turnover on fixed price contracts is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of turnover reflects the accrual of the right to consideration by reference to the value of the work performed. Turnover not billed to clients is included in debtors as unbilled receivables.

**Costs**

Costs incurred are generally recognised within cost of sales or administrative expenses as appropriate, as the services and assets are received, regardless of the time when the invoices from vendors are issued.

**Tangible fixed assets**

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

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

Depreciation is provided on the following basis:

Long-term leasehold property	-	10% straight line basis
Fixtures and fittings	-	25% straight line basis
Computer equipment	-	33.3% straight line basis

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**Operating leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

**Debtors**

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



**Notes to the Financial Statements for the period ended 31 December 2017 (continued)**

**2. Accounting policies (continued)**

**Cash and cash equivalents**

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

**Creditors**

The Company's financial liabilities include trade and other payables.

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

**Foreign currency translation**

***Functional and presentation currency***

The Company's functional and presentational currency is GBP.

***Transactions and balances***

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within finance income or costs. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within other operating income.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

**Dividends**

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

Notes to the Financial Statements for the period ended 31 December 2017 (continued)

**2. Accounting policies (continued)**

**Pensions**

***Defined contribution pension plan***

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

**Provisions for liabilities**

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the closing date for the period of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**Current and deferred taxation**

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

**Research and development**

All research and development expenditure is charged to the Statement of Comprehensive Income in the year it is incurred.

The Company intends to claim Research and Development Expenditure Credit ("RDEC") in respect of its research and development expenditure. The Company recognises the net value of the RDEC as a credit within other operating charges in the year in which the underlying research and development expenditure was incurred. The net RDEC receivable is recognised within RDEC tax credit receivable.

**Notes to the Financial Statements for the period ended 31 December 2017 (continued)****2. Accounting policies (continued)****Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares. Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the closing date for the year.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgments that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relate to the following:

**Provisions**

In recognising provisions, the Company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The judgments used to recognise provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts as compared to initial estimates.

**Turnover: fixed price contracts**

Turnover on fixed price contracts is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of turnover reflects the accrual of the right to consideration by reference to the value of work performed. In recognising the value of the work performed, the Company evaluates the extent of the percentage of completion for each contract.

# TESSELLA LIMITED

## Notes to the Financial Statements for the period ended 31 December 2017 (continued)

### 4. Turnover

All turnover is attributable to the one principal activity of the Company.

A geographic analysis of turnover is as follows:	Year ended 31 December 2017 £	9 months to 31 December 2016 £
United Kingdom	19,820,086	14,386,961
Europe	3,744,584	1,804,838
USA	165,331	905,161
Other	28,050	-
	<u>23,758,051</u>	<u>17,096,960</u>

### 5. Operating profit

Operating profit is stated after charging/(crediting):	Year ended 31 December 2017 £	9 months to 31 December 2016 £
RDEC tax credit	(313,540)	(340,004)
Depreciation of tangible fixed assets	346,456	110,580
Fees payable to the auditor for the audit of the annual financial statements	13,505	9,572
Exchange differences	(197,281)	113,501
Operating lease rentals	380,999	206,168
Defined contribution pension cost	1,414,938	554,240
Loss/(Profit) on disposal of tangible fixed assets	142,271	(200)
Integration charges	-	197,569

### 6. Employees

Staff costs, including Directors' remuneration, were as follows:

Staff costs	Year ended 31 December 2017 £	9 months to 31 December 2016 £
Wages and salaries	11,346,991	9,390,508
Social security costs	1,234,230	414,950
Cost of defined contribution scheme	1,414,938	554,240
	<u>13,996,159</u>	<u>10,359,698</u>

Notes to the Financial Statements for the period ended 31 December 2017 (continued)

6. Employees (continued)

The average monthly number of employees, including the Directors, employed by the Company during the period was as follows:

	Year ended 31 December 2017 Number	9 months to 31 December 2016 Number
By activity:		
Support	45	26
Engineers	174	183
	<u>219</u>	<u>209</u>

7. Directors' Remuneration

	Year ended 31 December 2017 £	9 months to 31 December 2016 £
Directors' emoluments	713,436	207,281
Company contribution to defined contribution pension scheme	<u>18,128</u>	<u>8,715</u>

During the year retirement benefits were accruing to 1 director (9 months ended 31 December 2016 - 1) in respect of defined contribution pension schemes.

	Year ended 31 December 2017 £	9 months to 31 December 2016 £
Highest paid director's emoluments	<u>372,511</u>	<u>207,281</u>

The company made pension contributions of £18,128 (9 months ended 31 December 2016: £8,715) on his behalf.

8. Taxation

	Year ended 31 December 2017 £	9 months to 31 December 2016 £
Corporation tax		
Current tax on profits for the year / period	1,031,677	669,219
Adjustments in respect of previous periods	<u>(65,185)</u>	<u>510,479</u>
	<u>966,492</u>	<u>1,179,698</u>
Double tax relief	<u>(8,735)</u>	<u>-</u>
	<u>957,757</u>	<u>1,179,698</u>

Notes to the Financial Statements for the period ended 31 December 2017 (continued)

8. Taxation (continued)

<b>Foreign tax</b>		
Foreign tax on income for the period / year	8,735	-
<b>Total current tax</b>	966,492	1,179,698
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 14)	(30,827)	(49,723)
<b>Total deferred tax</b>	(30,827)	(49,723)
<b>Taxation on profit</b>	935,665	1,129,975

**Factors affecting tax charge for the period**

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19.25% (December 2016 - 20%). The differences are explained below:

	<b>Year ended 31 December 2017 £</b>	<b>9 months to 31 December 2016 £</b>
<b>Profit on ordinary activities before taxation</b>	5,098,137	3,206,211
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (March 2016: 20%)	981,391	641,242
<b>Effects of:</b>		
Expenses not deductible for tax purposes	15,425	1,484
Adjustments to tax charge in respect of prior periods	(65,185)	510,479
Adjust closing deferred tax to average rate	4,034	(23,230)
<b>Total tax charge for the period / year</b>	935,665	1,129,975

## TESSELLA LIMITED

### Notes to the Financial Statements for the period ended 31 December 2017 (continued)

#### 9. Investments in subsidiaries

	£
<b>Cost or valuation</b>	
At 1 April 2016	<u>32,258</u>
At 31 December 2016	<u>32,258</u>
<b>At 31 December 2017</b>	<u>32,258</u>

At 31 December 2017, the Company had interests in the following subsidiaries:

<b>Subsidiary</b>	<b>Type of shares held</b>	<b>Proportion held (%)</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
Tessella Inc. 300 First Avenue, Suite 202, Needham, MA 02494, USA	Ordinary	100	USA	Application systems, development, consultancy, support and maintenance

Notes to the Financial Statements for the period ended 31 December 2017 (continued)

10. Tangible fixed assets

	Long-term leasehold property	Fixtures and fittings	Computer Equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 April 2016	292,783	174,984	1,292,112	1,759,879
Additions	4,367	12,448	127,161	143,976
Disposals	-	-	(2,249)	(2,249)
Foreign exchange movement	2,147	10,979	(13,857)	(731)
<b>At 31 December 2016</b>	<b>299,297</b>	<b>198,411</b>	<b>1,403,167</b>	<b>1,900,875</b>
Additions	45,661	47,234	137,507	230,402
Disposals	-	-	(570,891)	(570,891)
Foreign currency movement	650	757	(11,476)	(10,069)
<b>At 31 December 2017</b>	<b>345,608</b>	<b>246,402</b>	<b>958,307</b>	<b>1,550,317</b>
<b>Depreciation</b>				
At 1 April 2016	113,216	106,634	793,977	1,013,827
Charge for year	22,152	13,667	74,761	110,580
Foreign exchange movement	98	337	(2,856)	(2,421)
<b>At 31 December 2016</b>	<b>135,466</b>	<b>120,638</b>	<b>865,882</b>	<b>1,121,986</b>
Charge for year	32,204	32,841	281,411	346,456
Disposals	-	-	(423,571)	(423,571)
Foreign exchange movement	49	151	1,046	1,247
<b>At 31 December 2017</b>	<b>167,719</b>	<b>153,630</b>	<b>724,767</b>	<b>1,046,116</b>
<b>Net book value</b>				
At 31 December 2017	177,889	92,772	233,540	504,201
At 31 December 2016	163,831	77,773	537,285	778,889
At 31 March 2016	179,567	68,350	498,135	746,052



# TESSELLA LIMITED

## Notes to the Financial Statements for the period ended 31 December 2017 (continued)

### 11. Trade and other debtors

	31 December 2017 £	31 December 2016 £
Trade debtors	9,428,651	5,226,421
Amounts owed by group undertakings	7,393,402	6,179,154
Other debtors	12,976	35,168
Prepayments and accrued income	268,601	783,176
Tax recoverable	18,356	150,000
Deferred tax asset (note 14)	72,281	41,454
RDEC tax credit receivable	444,985	451,606
	<u>17,639,252</u>	<u>12,866,979</u>

### 12. Creditors: amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Trade creditors	1,055,454	322,799
Amounts owed to group undertakings	1,667,271	692,165
Corporation tax	208,735	287,654
Taxation and social security	1,385,554	1,326,552
Other creditors	-	271,862
Accruals and deferred income	5,588,262	3,959,021
	<u>9,905,276</u>	<u>6,860,053</u>

Notes to the Financial Statements for the period ended 31 December 2017 (continued)

**13. Financial Instruments**

Financial assets measured at amortised cost amount to £24,228,260 (December 2016 - £16,594,102). This consists of cash, trade debtors, amounts owed by group undertakings, accrued income and other debtors. Financial liabilities measured at amortised cost amount to £6,417,390 (December 2016 - £4,808,364). This consists of the trade payables, accruals, amounts owed to group undertakings and other payables.

**14. Deferred taxation**

	Year ended 31 December 2017 £	9 months to 31 December 2016 £
At the beginning of year	41,454	(8,269)
Credited to profit or loss	<u>30,827</u>	<u>49,723</u>
At the end of year	<u>72,281</u>	<u>41,454</u>

The provision for deferred taxation is made up as follows:

	Year ended 31 December 2017 £	9 months to 31 December 2016 £
Short term temporary differences	101,348	64,107
Accelerated capital allowances	<u>(29,067)</u>	<u>(22,653)</u>
Total	<u>72,281</u>	<u>41,454</u>

# TESSELLA LIMITED

## Notes to the Financial Statements for the period ended 31 December 2017 (continued)

### 15. Share capital

#### Authorised

	31 December 2017		31 December 2016	
Classed as equity:	Number	£	Number	£
Ordinary shares of £1 each	250,000	250,000	250,000	250,000
Ordinary A shares of £0.001 each	10,000	10	10,000	10
Ordinary B shares of £0.001 each	6	-	6	-

#### Allotted, called up and fully paid

	31 December 2017		31 December 2016	
Classed as equity:	Number	£	Number	£
Ordinary shares of £1 each	60,002	60,002	60,002	60,002
Ordinary A shares of £0.001 each	1,000	1	1,000	1
Ordinary B shares of £0.001 each	6	-	6	-

### 16. Reserves

#### Called up share capital

Called up share capital represents the nominal value of shares that have been issued.

#### Share premium account

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

#### Statement of comprehensive income

Includes all current and prior period retained profits and losses.

#### Other reserve

Other reserve includes the expense recognised for share based payments in respect of employee services.

### 17. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017 (31 December 2016: £ nil).

### 18. Capital commitments

The Company had no capital commitments at 31 December 2017 (31 December 2016: £ nil).

### 19. Pension commitments

The Company operates a defined contribution pension plan in the United Kingdom and the Netherlands. The expense shown in note 6 represents the charge in respect of contributions in the year. At the year end £120,660 (December 2016: £118,105) was outstanding and included within other creditors.

**Notes to the Financial Statements for the period ended 31 December 2017 (continued)**

**20. Commitments under operating leases**

At 31 December 2017, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>31 December 2017 £</b>	<b>31 December 2016 £</b>
Not later than 1 year	339,688	375,564
Later than 1 year and not later than 5 years	1,503,309	730,091
Later than 5 years	<u>662,981</u>	<u>-</u>
	<u><u>2,505,977</u></u>	<u><u>1,105,655</u></u>

**21. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Tessella Holdings Limited, a company incorporated in England and Wales at 26 The Quadrant, Abingdon Science Park, Abingdon, OX14 3YS.

Altran Technologies S.A. is the Company's ultimate parent for which publicly available consolidated financial statements are produced. Altran Technologies S.A is a Public Limited Company incorporated in France at 96 avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France, and the consolidated financial statements are available through their website.

**22. Post balance sheet events**

There were no events of note between the closing date for the year and the authorisation of the financial statements.