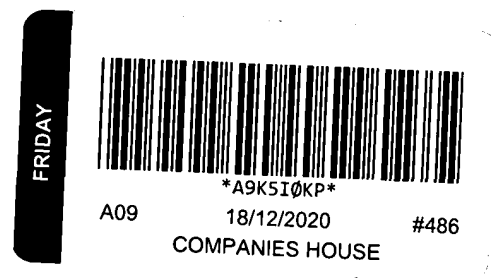


Annual Report & Financial Statements

GFT Financial Limited

For the Year Ended 31 December 2019



Registered number: 03468950

Company Information

Directors	D Collins (resigned 30 June 2020) J C Fonoll C D Ortiz
Company secretary	C Sheffield (resigned 25 March 2019) A Schneider (appointed 25 March 2019)
Registered number	03468950
Registered office	6 th Floor Capital House 85 King William Street London EC4N 7BL
Independent auditor	KPMG LLP 2 Forbury Place 33 Forbury Road Reading RG1 3AD
Bankers	Barclays Bank plc Town Hall Square Leicester LE1 9AA

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Strategic Report

For the Year Ended 31 December 2019

Executive summary

GFT is a globally aligned technology partner for digital transformation focusing on the banking, insurance and industrial sectors. Its range of services includes consulting on the development and realisation of innovative IT strategies, the development of bespoke IT solutions, the implementation of sector-specific standard software, and the maintenance and further development of business-critical IT solutions

Introduction

GFT Financial Limited (the “company”) in the UK continues to operate as a wholly owned subsidiary of GFT Technologies SE (the “group”), a global technology engineering organisation, operating in 15 countries and employing over 5,200 people worldwide.

Business review

In 2019 the company continued our strategy of client diversification and achieved strong double digit growth in our financial services clients outside of our two largest customers. We continued to broaden our client structure and thus further reduced the associated risks. We succeeded in gaining new customers while at the same time expanding our business with existing clients (outside of our top two).

2019 was a year in which the company increased its revenue with so-called exponential technologies. These include new technologies such as artificial intelligence, cloud, DLT / blockchain, DevOps and data analytics, which are driving exponential growth across all sectors. Strong demand for cloud-based applications have had a particularly positive effect.

Technologies are developing at breathtaking speed, markets are in a state of flux. More than ever before, companies need to cooperate in order to keep track of this myriad of possibilities. And this is why we attach such importance to building a strong network – enabling us to offer our clients real added value. In 2019, the company further strengthened our deep relationship with our partners Google Cloud and Amazon Web Services. As a result of our growth into modern technologies and further development of our Cloud partner relationships, despite our revenue decreasing by £12.8m since 2018, our gross margins have improved by 1.2%, resulting in higher profit after tax.

Because the world of future technologies is changing so rapidly, it is crucial for us as an IT company to also maintain our technological expertise in the future. We do this by not only continuing to attract the best talent but also continuously investing in training in the latest technologies.

With the aid of its tried and trusted Global Delivery Model, the company can supply its range of solutions to the core markets it serves. The company’s consultants and sales staff are in direct contact with clients (onshore) to provide advice on the development of strategies and to coordinate their projects. Services are then provided flexibly and cost-effectively at the development centres (nearshore). This model thus combines customer proximity and quality with cost benefits and easy access to IT experts in markets with a lack of skilled workers.

As a dynamic technology partner, the company stands for new ideas, drive and flexibility – qualities that help us guide our customers safely into the digital future.

Strategic Report

For the Year Ended 31 December 2019

Principal risks and uncertainties

The exposure of the company to price risk, interest rate risk and liquidity risk is not considered material for the assessment of assets, liabilities and financial position, and profit or loss of the company.

Liquidity risk

The company's policy is to ensure continuity through effective management of its current assets and liabilities. The company has access to funds from the group, when required, to ensure that it has sufficient resources available to support its growing operations. The company is funded by a combination of potential funding from the group and retained earnings.

Interest rate risk

The company has no external interest bearing assets, however, at times it does lend and borrow from related parties at fixed interest rates, and as such is not exposed to external variable interest rate fluctuations.

Credit risk

The company's credit risk is primarily attributable to its trade debtors, with major tier 1 and 2 multi-national financial institutes listed on various worldwide stock exchanges; it is therefore generally accepted that there is minimal risk of default.

Economic Downturn Risk

An economic downturn is a significant risk to the business operations of the company's investments. During times of growth, demand for services is driven by customers' focus on innovation and agility. Should an economic downturn occur, demand would increasingly be driven by customers' focus on cost rationalisation delivered by cloud systems reducing operating costs and almost eliminating capital expenditure. As a result, the company believes that its investments would be more resilient during an economic downturn than most.

Brexit Risk

The vote to leave the EU on 23 June 2016 has led to a period of uncertainty, whilst the government negotiates a new relationship with the EU and the rest of the world. The exit process could span years, could take many different forms; the Company is monitoring the situation closely. However, until further clarity is known regarding the future relationship between the UK and EU, the directors are not able to definitively assess the impact on the Company or what the wider regulatory and legal consequences of the UK leaving the EU would be. The Board continues to monitor this on an ongoing basis to determine whether any action required to mitigate any risks expected.

Coronavirus

In December 2019, an outbreak of a coronavirus disease 2019 ("COVID-19") was identified in China. Early in 2020 COVID-19 was identified in the UK and other countries around the world, leading to the outbreak being declared a global pandemic by the World Health Organisation in March 2020. Subsequently the UK and other countries around the world in which the group has operations (employees, customers or suppliers) have imposed lockdown measures on their populations to limit the spread of the coronavirus, which is highly contagious with no vaccine currently available. The long term economic impacts globally and on a country by country basis are unknown and could be severe and long lasting. Short and long term impacts to the company's customers, suppliers or employees are unable to be predicted accurately, particularly if key employees fall ill, or key customers stop trading.

In 2020, where considerable COVID-19 impacts have seen significant losses in other sectors, the company's core business within large tier 1 and tier 2 banks, has in fact accelerated. The need for banks to focus on cloud transformation and digitisation has accelerated due to the pandemic, aligning with the company's strategy and core competencies.

Moreover, in 2019, the Company further strengthened its deep relationship with partners Google Cloud and Amazon Web Services, which should in turn serve as a further indication of a commitment to a high growth sector with large and strong partners.

GFT Financial Limited

The directors' going concern assessment is outlined in note 2.3 on page 13 and takes into account the continued impact of COVID-19 on the company's operations and results.

Operational risk

Operational risk is managed through the application of rigorous project management and quality methodologies, along with tight credit collection procedures.

Foreign currency risk

The company has foreign currency risk associated with certain inter-company cash outflows depending on the utilisation of nearshore locations, primarily in Spain and Poland. Certain trade debtors also have contracts denominated in currencies other than sterling, helping to provide a natural hedge against the euro outflows. Further currency activities are monitored on a regular basis to review any transactions that have, or may have, an adverse impact on the company.

Financial key performance indicators

In 2019 the company achieved the following:

- Revenue dropped by 13% to £87,028,658
- Revenue growth outside the two main clients was 25%
- A 7% Profit before Tax Margin delivering £6,186,574 up from a profit in 2018 of £4,615,226 (4.6%)

This report was approved by the board on 16 December 2020 and signed on its behalf.



Christopher Ortiz
Director

Directors' Report

For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £4,906,862 (2018 – profit £3,250,320).

Dividends of £2,520,000 were paid during the year (2018 - £3,593,405). Dividends of £1,262,276 was received in the year (2018 - £nil).

Directors

The directors who served during the year were:

D Collins
J C Fonoll
C D Ortiz

Subsequent events

There are no subsequent events to report.

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 the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 16 December 2020 and signed on its behalf.



Christopher Ortiz

Director
6th Floor
Capital House
85 King William Street
London
EC4N 7BL

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of GFT Financial Limited

Opinion

We have audited the financial statements of GFT Financial Limited (“the company”) for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors’ conclusions, we considered the inherent risks to the company’s business model and analysed how those risks might affect the company’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors’ report

The directors are responsible for the strategic report and the directors’ report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors’ report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

Independent Auditor's Report to the Members of GFT Financial Limited

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

2 Forbury Place

33 Forbury Road

Reading

RG1 3AD

16 December 2020

Profit and Loss Account and Other Comprehensive Income

For the Year Ended 31 December

	Note	2019 £	2018 £
Revenue	3	87,028,658	99,814,475
Cost of sales		(58,430,885)	(72,574,623)
Gross profit		<u>28,597,773</u>	<u>27,239,852</u>
Administrative expenses	4, 5 & 6	(22,291,672)	(19,911,153)
Other operating income		3,062,985	2,036,100
Other operating charges		(4,092,770)	(4,504,826)
Operating (loss)/profit		<u>5,276,316</u>	<u>4,859,973</u>
Income from shares in group undertakings	7	1,262,276	-
Interest receivable and similar income		13,091	11,743
Interest payable and expenses	9	(365,109)	(256,490)
Profit before tax		<u>6,186,574</u>	<u>4,615,226</u>
Tax on profit	10	(1,279,712)	(1,364,906)
Profit for the financial year		<u>4,906,862</u>	<u>3,250,320</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>4,906,862</u>	<u>3,250,320</u>

The notes on pages 12-27 form part of these financial statements.

Balance Sheet

As at 31 December

	Note	2019 £	2018 £
Fixed assets			
Intangible assets		-	318
Tangible assets	11	1,398,642	1,359,582
Investments	12	716,639	716,639
		<u>2,115,281</u>	<u>2,076,539</u>
Current assets			
Debtors falling due within one year	13	22,010,373	21,450,458
Debtors falling due after more than one year	13	3,574,470	2,512,133
Cash at bank and in hand	16	7,382,121	15,085,187
		<u>32,966,964</u>	<u>39,047,778</u>
Creditors: amounts falling due within one year	15	(27,161,437)	(34,914,058)
Net current assets		<u>5,805,527</u>	<u>4,133,720</u>
Net assets		<u>7,920,808</u>	<u>6,210,259</u>
Capital and reserves			
Called up share capital	17	13,138	13,138
Share premium account		1,343,828	1,343,828
Capital redemption reserve		264	264
Profit and loss account		6,563,578	4,853,029
		<u>7,920,808</u>	<u>6,210,259</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2020.

The notes on pages 12 to 27 form part of these financial statements.



Christopher Ortiz
Director

Registered number: 03468950

Statement of Changes in Equity

For the Year Ended 31 December

	Called up share capital	Share Premium	Capital redemption reserve	Profit and Loss	Total Equity
	£	£	£	£	£
At 1 January 2018	13,138	1,343,828	264	4,925,250	6,282,480
Effects from the initial application of IFRS 9	-	-	-	270,864	270,864
At 1 January 2018 as restated	13,138	1,343,828	264	5,196,114	6,553,344
Profit for the year	-	-	-	3,250,320	3,250,320
Total comprehensive income	-	-	-	3,250,320	3,250,320
Dividends	-	-	-	(3,593,405)	(3,593,405)
Transactions with owners, recorded directly in equity	-	-	-	(3,593,405)	(3,593,405)
At 1 January 2019	13,138	1,343,828	264	4,853,029	6,210,259
Effects from the initial application of IFRS 16	-	-	-	(676,313)	(676,313)
At 1 January 2019 as restated	13,138	1,343,828	264	4,176,716	5,533,946
Profit for the year	-	-	-	4,906,862	4,906,862
Total comprehensive income	-	-	-	4,906,862	4,906,862
Dividends	-	-	-	(2,520,000)	(2,520,000)
Transactions with owners, recorded directly in equity	-	-	-	(2,520,000)	(2,520,000)
At 31 December 2019	13,138	1,343,828	264	6,563,578	7,920,808

GFT Financial Limited

Share premium

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

Capital redemption reserve

This represents amounts transferred from share capital on redemption of issued shares.

The notes on pages 12 to 27 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2019

1. General information

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The address of the registered office is included within the Company Information.

These financial statements are presented in GBP because that is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company is a qualifying entity as it is a member of the group where GFT Technologies SE, the ultimate parent prepares publicly available consolidated financial statements.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the group include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Notes to the Financial Statements

For the Year Ended 31 December 2019

2.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cashflow forecasts for the period to 31 December 2021 which indicate that, taking into account reasonably plausible downsides and account of the company's performance to date during 2020, the company will have sufficient funds to meet its liabilities as they fall due for that period.

In the event of a plausible downside in revenue materialising, the company's low operational gearing, whereby resource to deliver services to customers is primarily variable, purchased from group subsidiaries and external suppliers, mitigates the impact of such downsides on cash flows.

At the date of approval of these financial statements, the company had paid back £7.1m of its intercompany loan, leaving a residual payable of £1.0m. At the date of approval of these financial statements, the company has cash and cash equivalents of £8.5m, such that if the remaining payable was recalled, the company could meet its liabilities. On that basis, the Directors consider the company to be financially self-sufficient with no expectation of additional support being required in the forecasts.

Given the financial resources held by the company at the date of approval of these financial statements, the high predictability of forecasts and recent resilience against the impact of COVID-19, the directors have a reasonable expectation that the company has adequate resources to continue to operate for at least 12 months from the date of approval of these financial statements.. Therefore, the going concern basis of accounting continues to be appropriate for the preparation of the financial statements.

2.4 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of judgement in the application of accounting policies and estimates and assumptions that affect the reported amounts of assets and liabilities.

There are no judgements made by the directors in the application of the Company's accounting policies that have significant effect on the financial statements.

The incremental borrowing rate (IBR) for leases is estimated using market data such as interest rates and taking into account company specific factors such as individual credit rating.

The Company is required to estimate accrued revenue at each period end and, in some cases, particularly for fixed price projects, this requires management to use its judgement and experience to estimate the most likely amount recoverable taking into account time spent up to the end of the period and a forecast of time to completion. Management considers that their past experience coupled with the company's close and frequent contact with customers enables the company to make sufficiently accurate estimates.

2.5 Intangible assets

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

Amortisation is provided on 3 years straight line basis.

Notes to the Financial Statements

For the Year Ended 31 December 2019

2.6 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is provided on the following basis:

Plant & machinery	3-5 years on straight line basis
Leasehold improvements	over length of lease
Land and buildings	over length of lease

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 within other external charges in the Statement of Comprehensive Income.

2.7 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Gains and losses on disposal of investments in subsidiaries are measured at consideration received less cost.

2.8 Debtors

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

2.9 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the Year Ended 31 December 2019

2.11 Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income (FVOCI) and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Notes to the Financial Statements

For the Year Ended 31 December 2019

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

2.12 Foreign currency translation and 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 date of the transaction.

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

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

2.13 Revenue from contracts with customers

The Company applied IFRS 15 for the first time in the financial year beginning on 1 January 2018. Initial application was made according to the modified retrospective method. There was no adjustment to the opening balance sheet amounts as of 1 January 2018 as there were no cumulative effects from the initial application of the IFRS 15 regulations. These financial statements are the first with both current and comparative years being figures as recognized under IFRS 15.

The company earns revenues from three types of contracts with customers; time and materials, fixed price and fixed service. Revenue for each stream is recognised as below:

- Time and materials contract revenue is recognised as work is performed, using a time multiplied by rate calculation, plus any agreed outlays, exclusive of value added tax.
- Fixed price contract revenue is calculated on a degree of completion basis in line with work done and the estimate to complete, exclusive of value added tax.
- Fixed service contract revenue is recognised as the service is performed, on a monthly basis, exclusive of value added tax.

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

Notes to the Financial Statements

For the Year Ended 31 December 2019

Contract assets / contract liabilities

IFRS 15 includes guidance on the disclosure of contract fulfilment and contract obligations. These are assets and liabilities from contracts with customers which arise dependent on the relationship between the entity's performance and the customer's payment. Accordingly, claims arising from contract obligations already fulfilled for which the customer's consideration has not yet been paid are carried as a contract asset if the claim to consideration is still subject to certain conditions.

However, if the claim to consideration from the customer is unconditional and only dependent on the passage of time, the item is carried as a trade receivable. A contractual liability, on the other hand, is the entity's obligation to transfer goods or services to a customer for which the entity has received or will receive consideration from that customer. If the customer has rendered the consideration or paid part of it before the delivery or service has been provided, a liability item (contractual liability) is recognised in the balance sheet accordingly.

2.14 Expenses

Interest receivable and Interest payable - Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.15 Post-employment benefits and short-term employee benefits

Short term employee benefits including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at undiscounted amount that the Company expects to pay as a result of unused entitlement.

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 Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position.

Notes to the Financial Statements

For the Year Ended 31 December 2019

2.16 Taxation

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full and are not discounted.

2.17 Research and Development Expenditure Credit

The company recognizes Research and Development Expenditure Credits (RDEC) as an item of Other operating income.

Notes to the Financial Statements

For the Year Ended 31 December 2019

2.18 Changes in accounting methods

As of 1 January 2019, the company applied IFRS 16: *Leases* for the first time. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated. IFRS16 introduces a uniform accounting model under which lessees are required to recognise an asset for the right-of-use and a lease liability for the outstanding rental payments in the balance sheet for all leases. IFRS 16 grants an option not to recognise right-of-use assets and lease liabilities for leases with a term of up to twelve months (short-term leases) and for leases of low-value assets. The company has exercised this option which means that the only leases which require recognition under IFRS 16 relate to property.

The transition effects of £676,313 loss was reported cumulatively in retained earnings within equity as at 1 January 2019.

Right of use assets

Right-of-use assets related to lease properties are presented as land and buildings (see note 11).

	Land & Buildings
	£
Balance at 1 January 2019	-
Additions to right-of-use assets	2,268,981
Depreciation charge for the year	(1,468,923)
Balance at 31 December 2019	<u>800,058</u>

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

2019 – Leases under IFRS 16	£
Interest expense on lease liabilities	129,747
Expenses relating to short-term leases	38,182
	<u>167,929</u>
2018 – Operating leases under IAS 17	£
Lease expense – rent	<u>995,385</u>

Notes to the Financial Statements

For the Year Ended 31 December 2019

3. Revenue

The whole of the revenue is attributable to the supply of business and IT advisory, execution, and managed services.

Analysis of revenue by country of destination:

	2019	2018
	£	£
United Kingdom	68,337,378	81,250,829
Rest of Europe	8,736,364	7,612,591
Rest of the world	9,954,916	10,951,055
	<u>87,028,658</u>	<u>99,814,475</u>

Contract Balances:

The amount of revenue recognized in 2019 that was included in the contract liability balance at the beginning of the period was £1,128,383.

	31 Dec 2019	31 Dec 2018
	£	£
Receivables	19,826,447	18,683,189
Contract Assets	824,176	1,659,132
Contract Liabilities	1,927,189	1,848,014

4. Operating profit

The operating profit is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	2,097,334	708,342
Amortisation of intangible assets	318	425
	<u>2,097,652</u>	<u>708,767</u>

5. Auditor's remuneration

The company paid the following amounts to its auditor in respect of the audit of the financial statements.

	2019	2018
	£	£
Fees for the audit of the Company	94,500	80,718
	<u>94,500</u>	<u>80,718</u>

Amounts paid to the company's auditor and its associates in respect of services to the company and its subsidiaries, other than the audit of the company's financial statements, have not been disclosed as the information is instead disclosed in the financial statements of GFT Technologies SE.

Notes to the Financial Statements

For the Year Ended 31 December 2019

6. Employees

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

	2019 £	2018 £
Wages and salaries	17,615,921	16,286,714
Social security costs	1,673,622	1,645,479
Cost of defined contribution scheme	568,511	389,546
	<u>19,858,054</u>	<u>18,321,739</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Operating staff	141	145
Management	2	2
	<u>143</u>	<u>147</u>

7. Dividend received

The company received dividends from its subsidiary, GFT Poland SP. Z.o.o.

	2019 £	2018 £
Dividends from consolidated companies	1,262,276	-
	<u>1,262,276</u>	<u>-</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	1,050,747	921,458
Company contributions to a defined contribution pension scheme	28,725	24,180
	<u>1,079,472</u>	<u>945,638</u>

The highest paid director received remuneration of £537,514 (2018 - £465,650) and company pension contributions of £13,125 (2018 - £8,945) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 2 (2018: 2) directors under money purchase schemes.

Notes to the Financial Statements

For the Year Ended 31 December 2019

9. Interest payable and similar charges

	2019	2018
	£	£
Interest on lease	129,747	-
Interest on loans from group undertakings	235,362	256,490
	<u>365,109</u>	<u>256,490</u>

10. Taxation

	2019	2018
Current tax		
Corporation tax on profits for the year	1,004,855	1,137,488
Adjustments in respect of prior years	(63,793)	499,437
Deferred tax		
Movement in deferred tax asset	338,650	(272,019)
Total income tax recognised in the profit and loss account	<u>1,279,712</u>	<u>1,364,906</u>

Factors affecting tax charge for the year

The UK corporation tax rate is expected to be unchanged at 19%.

The differences are explained below:

Profit on ordinary activities before tax	<u>6,186,574</u>	<u>4,615,226</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	1,175,449	876,893
Effects of		
Expense adjustments for tax purposes	135,288	291,933
Movement in unrecognised deferred tax in respect of timing differences	-	101,139
Initial recognition of deferred tax in respect of timing differences	-	(557,363)
Non-taxable income	(305,8802)	(132,477)
Adjustments in respect of prior years	<u>274,857</u>	<u>784,781</u>
Total tax charge for the year	<u>1,279,712</u>	<u>1,364,906</u>

Factors that may affect future tax charges

The UK corporation tax rate is expected to be unchanged from last year at 19%.

Notes to the Financial Statements

For the Year Ended 31 December 2019

11. Tangible fixed assets

	Plant & Machinery	Leasehold improvement	Land and Buildings	Total
	£	£	£	£
Cost				
At 1 January 2019	776,003	2,848,503	-	3,624,506
Additions	89,312	65,789	-	155,101
Effects from the initial application of IFRS 16	-	-	2,268,981	2,268,981
Disposals	(442,521)	(1,206,675)	-	(1,649,196)
At 31 December 2019	<u>422,794</u>	<u>1,707,617</u>	<u>2,268,981</u>	<u>4,399,392</u>
Depreciation				
At 1 January 2019	612,502	1,652,422	-	2,264,924
Charge for the period	118,139	510,272	1,468,923	2,097,334
Disposals	(434,325)	(927,183)	-	(1,361,508)
At 31 December 2019	<u>296,316</u>	<u>1,235,511</u>	<u>1,468,923</u>	<u>3,000,750</u>
Net book value				
At 31 December 2019	<u>126,478</u>	<u>472,106</u>	<u>800,058</u>	<u>1,398,642</u>
At 31 December 2018	<u>163,501</u>	<u>1,196,081</u>	-	<u>1,359,582</u>

Notes to the Financial Statements

For the Year Ended 31 December 2019

12. Fixed asset investments

Cost	Investments in subsidiary companies
At 1 January 2019	£ 716,639
Disposal/ Addition	-
At 31 December 2019	<u>716,639</u>
Net book value	
At 31 December 2019	<u>716,639</u>
At 31 December 2018	<u>716,639</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
GFT Poland Sp. z.o.o.	Ordinary	100 %	consultancy
GFT Costa Rica S.A.	Ordinary	100 %	consultancy

The registered addresses of the subsidiaries are:

GFT Poland Sp. z.o.o. - Sterlinga Business Centre, Sterlinga 8a, 91-425 Lodz 2.

GFT Costa Rica S.A.- Edificio 1A Ultrapark, La Aurora, Heredia, Costa Rica

Notes to the Financial Statements

For the Year Ended 31 December 2019

13. Debtors: Due within one year

	2019	2018
	£	£
Trade debtors	13,653,879	14,048,584
Amounts owed by group undertakings	1,020,330	606,390
Other debtors	7,063,216	6,391,551
Prepayments and accrued income	272,948	403,933
	<u>22,010,373</u>	<u>21,450,458</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Debtors: Due after more than one year

	2019	2018
	£	£
Other tax receivable (R&D)	3,355,757	1,954,770
Deferred tax assets	<u>218,713</u>	<u>557,363</u>
	<u>3,574,470</u>	<u>2,512,133</u>

Other tax receivable relates to R&D tax claims

14. Deferred tax asset

	2019	2018
At 1 January 2019	557,363	285,344
As recognised in Income	<u>(338,650)</u>	<u>272,019</u>
At 31 December 2019	<u>218,713</u>	<u>557,363</u>
The deferred tax asset is attributable to temporary timing differences relating to:	2019	2018
Plant, machinery and leasehold improvements	152,213	136,268
Employee costs	66,500	421,095
Tax losses available for future utilisation	-	-
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Total	<u>218,713</u>	<u>557,363</u>

Please refer to detailed tax note in note 10.

Notes to the Financial Statements

For the Year Ended 31 December 2019

15. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	181,905	245,477
Amounts owed to group undertakings	16,157,578	23,799,515
Other taxation and social security	2,099,584	2,667,088
Other creditors	2,366,368	2,774,447
Accruals and deferred income	6,356,002	5,427,531
	<u>27,161,437</u>	<u>34,914,058</u>

Within amounts owed to group undertakings are trading balances that do not bear interest and are settled on normal commercial terms.

Amounts owed to group undertakings include a loan amount of £ 8,125,277 (2018: £ 14,269,507). Interest is charged on the loan amounts owed to group undertakings at a rate between 1.6%- 1.7%.

16. Financial instruments

	2019	2018
	£	£
Financial assets		
Cash and cash equivalents	7,382,121	15,085,187
Financial assets that are debt instruments measured at amortised cost	25,093,181	23,192,295
	<u>32,475,302</u>	<u>38,277,482</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(20,609,544)</u>	<u>(28,348,177)</u>

Financial assets measured at amortised cost comprise of cash and cash equivalents, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank overdraft, trade creditors, amounts due to group undertakings and accruals.

Notes to the Financial Statements

17. Share capital

Shares classified as equity

	2019	2018
	£	£
Allotted, called up and fully paid		
1,313,842 Ordinary shares of £0.01 each	13,138	13,138
	<u>13,138</u>	<u>13,138</u>

18. Contingent liabilities

The Company had no contingent liabilities at 31 December 2019 or 31 December 2018.

19. Controlling party

The directors consider that the immediate parent undertaking of this company is GFT UK Limited.

The directors consider that the ultimate and controlling parent undertaking of this company is GFT Technologies SE incorporated in Germany, by virtue of its 100% shareholding in GFT UK Limited.

The largest and smallest group of undertaking for which group accounts have been drawn up is that headed by GFT Technologies SE, incorporated in Germany.

Copies of the group financial statements can be obtained from that company's registered office, at GFT Technologies SE, Leopoldstrasse 1, D-78112 St Georgen, Germany.