

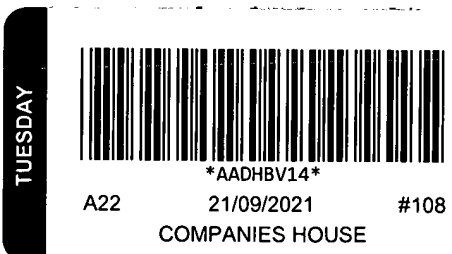
# Annual Report & Financial Statements

## GFT Financial Limited

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For the Year Ended 31 December 2020

Registered number: 03468950



## Company Information

<b>Directors</b>	D Collins (resigned 30 June 2020) C E Hopper (appointed 10 April 2021) J C Fonoll C D Ortiz
<b>Company secretary</b>	A Schneider
<b>Registered number</b>	03468950
<b>Registered office</b>	9 <sup>th</sup> Floor 107 Cheapside, London EC2V 6DN
<b>Independent auditor</b>	KPMG LLP 2 Forbury Place 33 Forbury Road Reading RG1 3AD
<b>Bankers</b>	Barclays Bank plc Town Hall Square Leicester LE1 9AA

# Contents

	Page
<b>Directors' Report</b>	4
<b>Directors' Responsibilities Statement</b>	5
<b>Independent Auditor's Report to the members of GFT Financial Limited</b>	6
<b>Profit and Loss Account and Other Comprehensive Income</b>	10
<b>Balance Sheet</b>	11
<b>Statement of Changes in Equity</b>	12
<b>Notes to the Financial Statements</b>	13

# Strategic Report

For the Year Ended 31 December 2020

## **Executive summary**

GFT is shaping the digital transformation of the world's leading companies in the financial and insurance sectors, as well as in the manufacturing industry and is continuing its strategy of client diversification.

As an IT service provider and developer of digital solutions, the Company offers strong consulting and development skills across all aspects of pioneering technologies, such as cloud engineering, artificial intelligence, mainframe modernisation and the Internet of Things for Industry 4.0.

Our clients benefit from our technological and sector expertise, our strong network of partners, and our highly skilled and passionate employees.

## **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 5,975 people worldwide.

## **Business review**

In 2020, against the backdrop of COVID-19, overall revenues dropped by £5.4m. However, this was primarily the result of reductions in revenue from the Company's two largest customers, with strong growth seen in the financial services clients outside of these, continuing the strategy of client diversification. As part of this strategy, the Company continued to broaden its client base. It succeeded in gaining new customers while at the same time expanding its business with existing clients (outside of our top two).

The Company's strategy of diversification and investment in exponential technologies has led to strong growth in our Gross Profit margins, which increased from 33% in 2019 to 37% in 2020; despite its overall revenue drop. In 2021 it plans to accelerate its growth once again.

The pandemic has proven to be an accelerator for a variety of digital trends and has strengthened a move towards digitisation. Many companies are now addressing the transformation process more comprehensively and, above all, more strategically. The Company has and will continue to benefit from this trend. Its business model and internal structures have proved to be extremely resilient – especially in such a challenging year as 2020.

The Company helped steer its clients from the banking, insurance and industrial sectors reliably and securely through a difficult period. As a well-coordinated, international team, it responded to the challenges swiftly and with a clear focus, enabled services to be maintained in full at all times. Not only that, it succeeded in winning new projects, expanding its services for existing clients and bringing highly skilled employees on board, in spite of the numerous restrictions necessitated by the pandemic.

In 2020, the Company increased its revenue share of so called fast-growing technologies – such as artificial intelligence (AI), cloud, DLT/blockchain, DevOps and data analytics and in particular, the strong upward trend of cloud-based applications continued with very strong revenue growth. Against the backdrop of consistently high demand, the Company continued to grow its certified cloud experts.

Digitization is radically transforming the economy. This trend has been intensified by Covid-19 and will continue to gather speed. The current digitization trend is still nowhere near its peak. The Company's path to the digital future is paved with new technologies, and the intelligent use of these technologies will become an increasingly important success factor. The demand for one-stop digital solutions will increase across all sectors and company sizes, and this growth will be sustainable.

# Strategic Report

For the Year Ended 31 December 2020

The Company is ideally positioned to benefit from this development and to accelerate growth once again in the current financial year. The Company aligned its portfolio with the relevant growth fields and is capable of exploiting emerging opportunities quickly and efficiently. The dynamic development of the business inspires itself to continue along the path it has chosen.

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.

Because the world of future technologies is changing so rapidly, it is crucial for the Company, as a technology company, to also maintain our technological expertise in the future. It does this by not only continuing to attract the best talent but also continuously investing in training in the latest technologies.

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

## **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. It 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**

As reported in the 31 December 2019 financial statements, the vote to leave the EU on 23 June 2016 has thus far had no significant impact on the Company and that continues to be the case. The Board continues to monitor this on an ongoing basis to determine whether any action is required to mitigate any risks that may arise.

# Strategic Report

For the Year Ended 31 December 2020

## Coronavirus

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 2020, 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.

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 2020 the Company achieved the following:

- Revenue dropped by 6% to £81,568,289
- Gross profit margin increased from 33% to 37%
- An 8% Profit before Tax Margin delivering £6,404,002 up from a profit in 2019 of £6,186,574 (7%)

This report was approved by the board on 20 September 2021 and signed on its behalf.



Christopher Ortiz  
Director

# Directors' Report

For the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

## **Results and dividends**

The profit for the year, after taxation, amounted to £6,018,942 (2019 – profit £4,906,862).

Dividends of £4,000,002 were paid during the year (2019 - £2,520,000). Dividends of £1,369,480 were received in the year (2019 - £1,262,276).

## **Directors**

The directors who served during the year were:

D Collins (resigned 30 June 2020)

J C Fonoll

C D Ortiz

## **Subsequent events**

The property lease was surrendered and ended on 9th May 2021. This has no impact on the figures reported as at 31 December 2020.

## **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 20 September 2021 and signed on its behalf.



Christopher Ortiz

Director  
9th Floor  
107 Cheapside  
London  
EC2V 6DN

# 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 2020 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 2020 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”).

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.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets set by the Group, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that fixed price project revenue is recorded in the wrong period, the risk that time and material project revenue is overstated as at 31 December 2020 and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the estimate of percentage of completion of fixed price projects as at 31 December 2020, as referred to above. On this audit we do not believe there is a fraud risk related to fixed service revenue recognition because it relates to simple revenue transactions from one or few sources with no judgmental aspects to revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Selected a sample of fixed price projects open as at 31 December 2020 and obtained evidence to corroborate management’s recognised percentage of completion.
- Selected a sample of time and material projects open as at 31 December 2020 and obtained evidence to support the revenue recognised in the year.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

## *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **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
- 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.

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

## **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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](http://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  
20 September 2021

## Profit and Loss Account and Other Comprehensive Income

For the Year Ended 31 December

		2020	2019
	Note	£	£
Revenue	3	81,568,289	87,028,658
Cost of sales		<u>(51,511,882)</u>	<u>(58,430,885)</u>
<b>Gross profit</b>		<b>30,056,407</b>	<b>28,597,773</b>
Administrative expenses	4, 5 & 6	(24,355,728)	(22,291,672)
Other Operating income		3,002,706	3,062,985
Other Operating charges		<u>(3,569,299)</u>	<u>(4,092,770)</u>
<b>Operating (loss)/profit</b>		<b>5,134,086</b>	<b>5,276,316</b>
Income from shares in group undertakings	7	1,369,480	1,262,276
Interest receivable and similar income		15,443	13,091
Interest payable and expenses	9	<u>(115,007)</u>	<u>(365,109)</u>
<b>Profit before tax</b>		<b>6,404,002</b>	<b>6,186,574</b>
Tax on profit	10	<u>(385,060)</u>	<u>(1,279,712)</u>
<b>Profit for the financial year</b>		<b><u>6,018,942</u></b>	<b><u>4,906,862</u></b>
<b>Total comprehensive income for the year</b>		<b><u>6,018,942</u></b>	<b><u>4,906,862</u></b>

The notes on pages 13-28 form part of these financial statements.

## Balance Sheet

As at 31 December

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	11	1,393,206	1,398,642
Investments	12	716,639	716,639
		<u>2,109,845</u>	<u>2,115,281</u>
<b>Current assets</b>			
Debtors falling due within one year	13	15,938,512	22,010,373
Debtors falling due after more than one year	13	3,979,636	3,574,470
Cash at bank and in hand	16	7,899,344	7,382,121
		<u>27,817,492</u>	<u>32,966,964</u>
Creditors amounts falling due within one year	15	(19,901,101)	(27,161,437)
Creditors falling due after more than one year	15	(86,488)	-
		<u>(19,987,589)</u>	<u>(27,161,437)</u>
<b>Net current assets</b>		<u>7,829,903</u>	<u>5,805,527</u>
<b>Net assets</b>		<u>9,939,748</u>	<u>7,920,808</u>
<b>Capital and reserves</b>			
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		8,582,518	6,563,578
		<u>9,939,748</u>	<u>7,920,808</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 September 2021.

The notes on pages 13-28 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 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 1 January 2020	<u>13,138</u>	<u>1,343,828</u>	<u>264</u>	<u>6,563,578</u>	<u>7,920,808</u>
Profit for the year	-	-	-	6,018,942	6,018,942
Total comprehensive income				6,018,942	6,018,942
Dividends	-	-	-	(4,000,002)	(4,000,002)
Transactions with owners, recorded directly in equity	-	-	-	(4,000,002)	(4,000,002)
At 31 December 2020	<u>13,138</u>	<u>1,343,828</u>	<u>264</u>	<u>8,582,518</u>	<u>9,939,748</u>

### 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 13-28 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2020

## 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 pound sterling 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 in conformity with the requirements of the Companies Act 2006 ("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:

- *IFRS 2 Share Based Payments* in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement*
- Disclosures required by IFRS 7 *Financial Instrument Disclosures*

# Notes to the Financial Statements

For the Year Ended 31 December 2020

## **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 of at least 12 months from the date of approval of these financial statements which indicate that, taking into account reasonably plausible downsides and account of the Company's performance to date during 2021, 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 all of its intercompany loan and held cash and cash equivalents of £5,498,653. 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.

### **Judgements:**

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.

### **Sources of estimation uncertainty:**

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 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2020

## 2.5 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.

## 2.6 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.

## 2.7 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.

## 2.8 Cash

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

## 2.9 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 2020

## 2.10 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 2020

## *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.

### **2.11 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.

### **2.12 Revenue from contracts with customers**

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.

### **2.13 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.

## Notes to the Financial Statements

For the Year Ended 31 December 2020

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.

### 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.

## Notes to the Financial Statements

For the Year Ended 31 December 2020

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

### 2.18 Leases

Leases are recognized pursuant to the standard accounting model of IFRS 16 which 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.

#### *Right of use assets*

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

	<b>Land &amp; Buildings</b>
	<b>£</b>
Balance at 1 January 2020	800,058
Additions to right-of-use assets	668,777
Depreciation charge	<u>(292,057)</u>
Balance at 31 December 2020	<u><u>1,176,778</u></u>

#### *Lease Liability*

	<b>£</b>
Balance as at 1 January 2020	837,766
Interest accrued	7,619
Repayments	<u>(341,131)</u>
Balance as at 31 December 2020	<u><u>504,254</u></u>

## Notes to the Financial Statements

For the Year Ended 31 December 2020

## Amounts recognised in profit or loss

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

	2020	2019
	£	£
<b>Leases under IFRS 16</b>		
Interest expense on lease liabilities	7,619	129,747
Expenses relating to short-term leases	43,024	38,182
	<u>50,643</u>	<u>167,929</u>

## 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:

	2020	2019
	£	£
United Kingdom	68,648,024	68,337,378
Rest of Europe	5,393,765	8,736,364
Rest of the world	7,526,500	9,954,916
	<u>81,568,289</u>	<u>87,028,658</u>

Contract Balances:

The amount of revenue recognized in 2020 that was included in the contract liability balance at the beginning of the period was £1,169,794.

	31 Dec 2020	31 Dec 2019
	£	£
Receivables	12,133,416	19,826,447
Contract Assets	2,568,776	824,176
Contract Liabilities	1,861,872	1,927,189

## 4. Operating profit

The operating profit is stated after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	884,283	2,097,334
Amortisation of intangible assets	-	318
	<u>-</u>	<u>318</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2020

**5. Auditor's remuneration**

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

	2020	2019
	£	£
Fees for the audit of the Company	<u>106,650</u>	<u>94,500</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.

**6 Employees**

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

	2020	2019
	£	£
Wages and salaries	19,979,631	17,615,921
Social security costs	2,104,156	1,673,622
Cost of defined contribution scheme	697,176	568,511
	<u>22,780,963</u>	<u>19,858,054</u>

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

	2020	2019
	No.	No.
Operating staff	165	141
Management	1	2
	<u>166</u>	<u>143</u>

**7. Dividend received**

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

	2020	2019
	£	£
Dividends from consolidated companies	<u>1,369,480</u>	<u>1,262,276</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2020

### 8. Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	595,381	1,050,747
Company contributions to a defined contribution pension scheme	<u>25,300</u>	<u>28,725</u>
	<u><u>620,681</u></u>	<u><u>1,079,472</u></u>

The highest paid director received remuneration of £429,117 (2019 - £537,514) and company pension contributions of £17,500 (2019 - £13,125) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 2 (2019: 2) directors under money purchase schemes.

### 9. Interest payable and similar charges

	2020	2019
	£	£
Interest on lease	7,619	129,747
Interest on loans from group undertakings	<u>107,388</u>	<u>235,362</u>
	<u><u>115,007</u></u>	<u><u>365,109</u></u>

## Notes to the Financial Statements

For the Year Ended 31 December 2020

**10. Taxation**

	2020	2019
<b>Current tax</b>		
Corporation tax on profits for the year	363,403	1,004,855
Adjustments in respect of prior years	14,935	(63,793)
<b>Deferred tax</b>		
Movement in deferred tax asset	6,722	338,650
Total income tax recognised in the profit and loss account	<u>385,060</u>	<u>1,279,712</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is less than (2019: more than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

Profit on ordinary activities before tax	<u>6,404,002</u>	<u>6,186,574</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	1,216,760	1,175,449
<b>Effects of</b>		
Expense adjustments for tax purposes	269,777	135,288
Group Relief: Utilisation of losses in current year	(459,287)	-
Non-taxable income	(666,782)	(305,882)
Adjustments in respect of prior years	24,592	274,857
Total tax charge for the year	<u>385,060</u>	<u>1,279,712</u>

**Factors that may affect future tax charges**

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

Corporate tax rate is expected to increase with effect from 1 April 2023 to 25% (2020: 19%).

## Notes to the Financial Statements

For the Year Ended 31 December 2020

**11. Tangible fixed assets**

	Plant & Machinery	Leasehold improvement	Land and Buildings	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2020	422,794	1,707,617	2,268,981	4,399,392
Additions	220,274	233,875	668,777	1,122,926
Disposals	(312,941)	(1,941,492)	-	(2,254,433)
At 31 December 2020	<u>330,127</u>	<u>-</u>	<u>2,937,758</u>	<u>3,267,885</u>
<b>Depreciation</b>				
At 1 January 2020	296,316	1,235,511	1,468,923	3,000,750
Charge for the period	106,728	485,498	292,057	884,283
Disposals	(289,345)	(1,721,009)	-	(2,010,354)
At 31 December 2020	<u>113,699</u>	<u>-</u>	<u>1,760,980</u>	<u>1,874,679</u>
<b>Net book value</b>				
At 31 December 2020	<u>216,428</u>	<u>-</u>	<u>1,176,778</u>	<u>1,393,206</u>
At 31 December 2019	<u>126,478</u>	<u>472,106</u>	<u>800,058</u>	<u>1,398,642</u>

**12. Fixed asset investments****Cost**

	Investments in subsidiary companies £
At 1 January 2020	716,639
Disposal/ Addition	-
At 31 December 2020	<u>716,639</u>

**Net book value**

At 31 December 2020	<u>716,639</u>
At 31 December 2019	<u>716,639</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2020

## 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. - Kilińskiego 66, 90-118 Łódź, Poland

GFT Costa Rica S.A.- Edificio 7B Ultrapark, 40101 Heredia, Costa Rica

## 13. Debtors: Due within one year

	2020	2019
	£	£
Trade debtors	7,736,315	13,653,879
Amounts owed by group undertakings	1,142,800	1,020,330
Other debtors	6,964,949	7,063,216
Prepayments and accrued income	94,448	272,948
	<u>15,938,512</u>	<u>22,010,373</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Other debtors consist mainly of contract assets.

## Debtors: Due after more than one year

	2020	2019
	£	£
Other tax receivable (R&D)	3,767,645	3,355,757
Deferred tax assets	211,991	218,713
	<u>3,979,636</u>	<u>3,574,470</u>

Other tax receivable relates to R&D tax claims.

## Notes to the Financial Statements

For the Year Ended 31 December 2020

**14. Deferred tax asset**

	2020	2019
At 1 January 2020	218,713	557,363
As recognised in Income	<u>(6,722)</u>	<u>(338,650)</u>
At 31 December 2020	<u><u>211,991</u></u>	<u><u>218,713</u></u>

	2020	2019
The deferred tax asset is attributable to temporary timing differences relating to:		
Plant, machinery and leasehold improvements	127,260	152,213
Employee costs	<u>84,731</u>	<u>66,500</u>
<b>Total</b>	<u><u>211,991</u></u>	<u><u>218,713</u></u>

Please refer to detailed tax note in note 10.

**15. Creditors: Amounts falling due within one year**

	2020	2019
	£	£
Trade creditors	419,002	181,905
Amounts owed to group undertakings	9,245,879	16,157,578
Other taxation and social security	2,072,518	2,099,584
Other creditors	2,076,311	2,366,368
Accruals and deferred income	<u>6,087,391</u>	<u>6,356,002</u>
	<u><u>19,901,101</u></u>	<u><u>27,161,437</u></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 £976,777 (2019: £8,125,277). Interest is charged on the loan amounts owed to group undertakings at a rate between 1.6%- 2.3%.

Other creditors consist mainly of PAYE/NI contributions due (£634,694), contractors payable (£483,880) and short term lease liability (£504,253).

## Notes to the Financial Statements

For the Year Ended 31 December 2020

**Creditors: Due after more than one year**

	2020	2019
	£	£
Other creditors	<u>86,488</u>	<u>-</u>

Other creditors due after more than one year is a bonus provision under Long Term Incentive Plan.

**16. Financial instruments**

<b>Financial assets</b>	2020	2019
	£	£
Cash and cash equivalents	7,899,344	7,382,121
Financial assets that are debt instruments measured at amortised cost	<u>19,611,709</u>	<u>25,093,181</u>
	<u>27,511,053</u>	<u>32,475,302</u>

**Financial liabilities**

Financial liabilities measured at amortised cost	<u>(13,890,399)</u>	<u>(20,609,544)</u>
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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.

**17. Share capital**

Shares classified as equity

	2020	2019
	£	£
<b>Allotted, called up and fully paid</b>		
1,313,842 Ordinary shares of £0.01 each	<u>13,138</u>	<u>13,138</u>

**18. Contingent liabilities**

The Company had no contingent liabilities at 31 December 2020 or 31 December 2019.

**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.

**GFT Financial Limited**

## Notes to the Financial Statements

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. Those accounts will be filed at UK Companies House to allow GFT UK Limited to take advantage of the consolidation exemption.