

# Annual Report & Financial Statements

## GFT Financial Limited

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For the Year Ended 31 December 2018



**Registered number: 03468950**

## Company Information

<b>Directors</b>	D Collins J C Fonoll C D Ortiz
<b>Company secretary</b>	C Sheffield (resigned 25 March 2019) A Schneider (appointed 25 March 2019)
<b>Registered number</b>	03468950
<b>Registered office</b>	9th Floor Cheapside London EC2V 6DN
<b>Independent auditor</b>	KPMG LLP Arlington Business Park Theale Reading RG7 4SD
<b>Bankers</b>	Barclays Bank plc Town Hall Square Leicester LE1 9AA

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# Strategic Report

For the Year Ended 31 December 2018

## **Executive summary**

The GFT group is a global technology partner for the digital transformation of companies. Primarily focused on the banking and insurance industry while at the same time leveraging our technological expertise to build bridges from the financial sector to the newly targeted industry sector.

## **Introduction**

GFT in the UK continues to operate as a wholly owned subsidiary of GFT Technologies SE, a global technology engineering organisation, operating in 13 countries and employing over 5,000 people worldwide.

## **Business review**

In 2018 against the backdrop of Brexit and uncertainties in the global market, GFT in the UK maintained strong 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).

2018 was a year which offered us a wide range of opportunities due to the almost relentless momentum of the digitalisation process across all industries. We can see that above all, new technologies such as: artificial intelligence, cloud, blockchain, DevOps and data analytics are driving exponential growth across all sectors.

In rapidly changing markets, cooperation and strong networks play a decisive role. The tremendous opportunities offered by digitalisation can only be fully exploited by working together. Cooperation between organisations with complementary technologies, platforms and competencies is becoming the norm. In 2018, GFT therefore focused on expanding our strategic partnerships with platform providers and we have established strategic partnerships with Google and AWS.

Through our strong strategic partnerships and investments in exponential technologies, GFT is well positioned to help with pioneering solutions that will pave the way for our clients to achieve leading competitive positions, enabling them to forge ahead with new technologies.

Utilising our tried and trusted Global Delivery Model, which combines customer proximity and quality with attractive cost benefits (onshore / nearshore model), GFT can supply its range of solutions to our core markets.

GFT continues to attract the best talent aligned to our vision of providing transformational change for our clients through the application of technology. Achieving this requires a combination of experienced banking experts, and a diverse pool of talent focused on emerging technologies such as cloud engineering, blockchain, artificial intelligence and machine learning.

# Strategic Report

For the Year Ended 31 December 2018

## 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 its ultimate parent company, GFT Technologies SE, when required, to ensure that it has sufficient resources available to support its growing operations.

### 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.

### 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 2018 GFT Financial Ltd achieved the following:

- Turnover dropped by 15% Year over Year to £99,814,475
- Turnover growth outside the two main clients was 11.5%
- A 4% Profit before Tax Margin delivering £4,886,090 up from a profit in 2017 of £2,847,585
- The Net Assets reduced by 1% to £6,210,259

This report was approved by the board on 20 September 2019 and signed on its behalf.



**D Collins**  
Director

# Directors' Report

For the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

## Results and dividends

The profit for the year, after taxation, amounted to £3,250,320 (2017 – profit £3,099,247).

Dividends of £3,593,405 were paid during the year (2017 - £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 20 September 2019 and signed on its behalf.



D Collins

Director  
3<sup>rd</sup> 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 for the year ended 31 December 2018 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 2018 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.

## The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## 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 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, including the impact of Brexit, 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 guarantee that the company will continue in operation.

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

## **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 (continued)

## **Directors' responsibilities**

As explained more fully in their statement set out on page 4, 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.

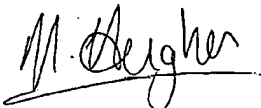
## **Auditor's responsibilities**

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.



**Neil Hughes (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
Arlington Business Park  
Theale  
Reading  
RG7 4SD  
25 September 2019

GFT Financial Limited

Registered number:03468950

## Profit and Loss Account and Other Comprehensive Income

For the Year Ended 31 December 2018

		2018	2017
	Note	£	£
Turnover	3	99,814,475	116,834,132
Cost of sales		(72,574,623)	(83,495,624)
<b>Gross profit</b>		<b>27,239,852</b>	<b>33,338,508</b>
Administrative expenses		(19,911,153)	(27,209,067)
Other operating income		2,036,100	1,998,280
Other operating charges		(4,504,826)	(4,929,771)
<b>Operating (loss)/profit</b>	<b>4 &amp; 5</b>	<b>4,859,973</b>	<b>3,197,950</b>
Interest receivable and similar income	8	11,743	186,302
Interest payable and expenses	9	(256,490)	(536,667)
<b>Profit before tax</b>		<b>4,615,226</b>	<b>2,847,585</b>
Tax on profit	10	(1,364,906)	251,662
<b>Profit for the financial year</b>		<b>3,250,320</b>	<b>3,099,247</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>3,250,320</b>	<b>3,099,247</b>

The notes on pages 11-28 form part of these financial statements.

GFT Financial Limited

Registered number:03468950

## Balance Sheet

As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	11	318	743
Tangible assets	12	1,359,582	2,009,076
Investments	13	716,639	717,639
		<u>2,076,539</u>	<u>2,727,458</u>
<b>Current assets</b>			
Debtors falling due within one year	14	21,450,458	30,288,899
Debtors falling due after more than one year	14	2,512,133	1,499,550
Cash at bank and in hand	16	15,085,187	8,513,314
		<u>39,047,778</u>	<u>40,301,763</u>
Creditors: amounts falling due within one year	15	(34,914,058)	(36,746,741)
<b>Net current assets</b>		<u>4,133,720</u>	<u>3,555,022</u>
<b>Net assets</b>		<u>6,210,259</u>	<u>6,282,480</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		4,853,029	4,925,250
		<u>6,210,259</u>	<u>6,282,480</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 September 2019.

The notes on pages 11 to 28 form part of these financial statements.

  
D Collins  
Director

Registered number: 03468950

## Statement of Changes in Equity

For the Year Ended 31 December 2018

	Called up share capital	Share Premium	Capital redemption reserve	Profit and Loss account	Total Equity
	£	£	£	£	£
At 1 January 2017	13,138	1,343,828	264	1,826,003	3,183,233
Profit for the year				3,099,247	3,099,247
Total comprehensive income				<u>3,099,247</u>	<u>3,099,247</u>
At 1 January 2018	13,138	1,343,828	264	4,925,250	6,282,480
Effects from the initial application of IFRS 9				<u>270,864</u>	<u>270,864</u>
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				<u>3,250,320</u>	<u>3,250,320</u>
Dividends				<u>(3,593,405)</u>	<u>(3,593,405)</u>
Transactions with owners, recorded directly in equity				<u>(3,593,405)</u>	<u>(3,593,405)</u>
At 31 December 2018	<u>13,138</u>	<u>1,343,828</u>	<u>264</u>	<u>4,853,029</u>	<u>6,210,259</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 11 to 28 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 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 GFT 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 and
- Disclosures in respect of the compensation of Key Management Personnel and
- Comparative period reconciliations for share capital and tangible fixed assets.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

As the consolidated financial statements of GFT Technologies SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

### 2.3 Going concern

Given the considerable financial resources held by the company and the forecast trading and cash flow performance of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and that the going concern basis of accounting continues to be appropriate for the preparation of the financial statements.

### 2.4 Revenue

The following policy applied until 31 December 2017. From 1 January 2018 the company applied IFRS 15. The effects of applying IFRS 15 are set out in note 2.20.

Turnover from time and materials contracts is recognised as work is performed, exclusive of value added tax.

Turnover on fixed price contracts is calculated on a degree of completion basis in line with work done and the estimate to complete, exclusive of value added tax.

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

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the contract when all of the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the company will receive the consideration due under the contract.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

### 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.

Depreciation is provided on 3 years straight line basis

### 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

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 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.8 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.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

### 2.9 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.

### 2.10 Cash

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

### 2.11 Financial instruments

The following policy applied until 31 December 2017. From 1 January 2018 the company applied IFRS 9. The effects of applying IFRS 9 are set out in note 2.20.

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

The Company classifies all of its financial assets as loans and receivables.

#### *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 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.

#### Financial liabilities

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

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

### 2.11 Financial instruments (continued)

#### *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.

### 2.12 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.

### 2.13 Foreign currency translation -

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

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

### 2.14 Expenses

#### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

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.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

### 2.14 Expenses (continued)

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.

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.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 2. Accounting policies (continued)

### 2.17 Research and Development Expenditure Credit

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

### 2.18 Common Control Transactions

On 1 January 2017, the trade and the majority of the net assets of the company's immediate parent, GFT UK Limited, were transferred to the company. GFT UK Limited novated its contracts to the company. Assets and liabilities transferred were initially recorded by the company at GFT UK Limited's existing net book value.

### 2.19 Judgments 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 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.

GFT Financial Limited  
Notes to the Financial Statements  
For the Year Ended 31 December 2018

**2. Accounting policies (continued)**

**2.20 Changes in accounting methods**

**IFRS 9**

The Company applied IFRS 9 for the first time in the financial year beginning on 1 January 2018. Initial application was made according to the modified retrospective method, which requires that the cumulative effect is recognised in equity as an adjustment to the opening balance sheet value. In accordance with the transitional provisions, the Company has opted not to adjust comparative information and to continue to disclose according to IAS 39.

The initial application of IFRS 9 resulted in the following changes:

***Classification and measurement of financial assets and financial liabilities***

IFRS 9 introduces a uniform model for classifying financial assets, which classifies financial assets into three categories: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Under IAS 39, financial assets were divided into loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. The classification of financial assets in accordance with IFRS 9 is based on the entity's business model for managing financial assets and the characteristics of contractual cash flows.

Trade receivables and contract assets (from the application of IFRS 15), which were classified as loans and receivables under IAS 39, are now classified at amortised cost. IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. The initial application of IFRS 9 had no impact on the company's accounting methods with regard to financial liabilities.

***Impairment of financial assets***

IFRS 9 introduces an impairment model based on expected credit losses. Under IAS 39, these instruments were tested for objective evidence of impairment. Objective evidence may include significant financial difficulties of the debtor, as well as significant changes in the technological, economic, legal and market environment of the debtor. Losses incurred were recognised as an impairment of financial assets. Under IFRS 9, the new approach also takes future expectations into consideration. Accordingly, the company now recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost at an amount equal to lifetime ECL. The initial application of IFRS 9 had the effect of reducing the allowance for impaired financial assets at 1 January 2018 by £270,864 which has been credited directly to equity.

**IFRS 15**

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, according to which the cumulative effect is recognised directly in equity as an adjustment to the opening balance sheet value. 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. Comparative information was not adjusted and continues to be disclosed according to IAS 18 Revenue and IAS 11 Construction Contracts.

***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.

**GFT Financial Limited**  
**Notes to the Financial Statements**  
For the Year Ended 31 December 2018

**2. Accounting policies (continued)**

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.

The initial application of the new IFRS 15 provisions did not result in any changes for the company with regards to the amount and timing of the recognition of revenue or other income.

**3. Turnover**

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

Analysis of turnover by country of destination:

	2018	2017
	£	£
United Kingdom	81,250,829	97,601,912
Rest of Europe	7,612,591	5,181,281
Rest of the world	10,951,055	14,050,939
	<u>99,814,475</u>	<u>116,834,132</u>

Contract Balances:

The amount of revenue recognized in 2018 that was included in the contract liability balance at the beginning of the period was £1,227,795.

	31 Dec 2018	1 Jan 2018
	£	£
Receivables	18,683,189	20,780,462
Contract Assets	1,659,132	1,928,846
Contract Liabilities	1,848,014	1,359,453

**4. Operating profit**

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	708,342	730,626
Amortisation of intangible assets	425	531
	<u>708,767</u>	<u>731,157</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2018

**5. Auditor's remuneration**

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

	2018 £	2017 £
Fees for the audit of the Company	80,718	86,100

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 on a consolidated basis in the financial statements of GFT UK Limited.

**6. Employees**

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

	2018 £	2017 £
Wages and salaries	16,286,714	22,592,374
Social security costs	1,645,479	2,588,417
Cost of defined contribution scheme	389,546	236,697
	<b>18,321,739</b>	<b>25,417,488</b>

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

	2018 No.	2017 No.
Operating staff	145	195
Management	2	3
	<b>147</b>	<b>198</b>

**7. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	921,458	729,885
Company contributions to a defined contribution pension scheme	24,180	35,673
Compensation for loss of office	-	66,260
	<b>945,638</b>	<b>831,818</b>

# Notes to the Financial Statements

For the Year Ended 31 December 2018

**7. Directors' remuneration (continued)**

The highest paid director received remuneration of £465,650 (2017 - £319,063) and company pension contributions of £8,945 (2017 - £19,776) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 2 (2017: 3) directors under money purchase schemes.

**8. Interest receivable**

	2018	2017
	£	£
Interest receivable from group companies	-	100,592
Other interest receivable	11,743	85,710
	<u>11,743</u>	<u>186,302</u>

**9. Interest payable and similar charges**

	2018	2017
	£	£
Interest on loans from group undertakings	256,490	536,666
	<u>256,490</u>	<u>536,666</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 10. Taxation

Recognised in the profit and loss account

	2018 £	2017 £
<b>Current tax</b>		
Corporation tax on profits for the year	1,137,488	33,682
Adjustments in respect of prior years	499,437	-
<b>Deferred tax</b>		
Movement in deferred tax asset	(272,019)	(285,344)
	<u>1,364,906</u>	<u>(251,662)</u>
Total income tax recognised in the profit and loss account		
<b>Factors affecting tax charge for the year</b>		
The tax assessed for the year is more than/less than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:		
Profit on ordinary activities before tax	<u>4,615,226</u>	<u>2,847,585</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	876,893	548,160
<b>Effects of</b>		
Expense adjustments for tax purposes	291,933	(10,245)
Movement in unrecognised deferred tax in respect of timing differences	101,139	83,425
Initial recognition of deferred tax asset in respect of unrelieved tax losses carried forward	-	(285,344)
Initial recognition of deferred tax in respect of timing differences	(557,363)	-
Non-taxable income	(132,477)	(157,998)
Utilisation of brought forward losses	-	(429,660)
Adjustments in respect of prior years	784,781	-
Total tax charge for the year	<u>1,364,906</u>	<u>(251,662)</u>

### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 10. Intangible assets

	Computer software £
At 1 January 2018	263,539
On disposals	<u>(41,743)</u>
	221,796
<b>Amortisation</b>	
At 1 January 2018	262,796
Charge for the year	425
On disposals	<u>(41,743)</u>
	221,478
<b>Net book value</b>	
At 31 December 2018	<u>318</u>
At 31 December 2017	<u>743</u>

## 11. Tangible fixed assets

	Plant & Machinery £	Leasehold improvement £	Total £
<b>Cost</b>			
At 1 January 2018	730,536	2,844,214	3,574,750
Additions	55,403	4,289	59,692
Disposals	<u>(9,936)</u>	-	<u>(9,936)</u>
At 31 December 2018	<u>776,003</u>	<u>2,848,503</u>	<u>3,624,506</u>
<b>Depreciation</b>			
At 1 January 2018	429,066	1,136,609	1,565,675
Charge for the period	192,529	515,813	708,342
Disposals	<u>(9,093)</u>	-	<u>(9,093)</u>
At 31 December 2018	<u>612,502</u>	<u>1,652,422</u>	<u>2,264,924</u>
<b>Net book value</b>			
At 31 December 2018	<u>163,501</u>	<u>1,196,081</u>	<u>1,359,582</u>
At 31 December 2017	<u>301,470</u>	<u>1,707,605</u>	<u>2,009,075</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2018

**12. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 January 2018	717,639
Disposal	(1,000)
At 31 December 2018	<u>716,639</u>
<b>Net book value</b>	
At 31 December 2018	<u>716,639</u>
At 31 December 2017	<u>717,639</u>

**Subsidiary undertakings**

On the 24<sup>th</sup> April 2018, GFT UK Invest Limited was dissolved.

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 2018

**14. Debtors: Due within one year**

	2018	2017
	£	£
Trade debtors	14,048,584	14,191,452
Amounts owed by group undertakings	606,390	6,688,645
Other debtors	6,391,551	8,921,977
Prepayments and accrued income	403,933	486,825
	<u>21,450,458</u>	<u>30,288,899</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**

	2018	2017
	£	£
Trade debtors (R&D)	1,954,770	1,214,206
Deferred tax assets	<u>557,363</u>	<u>285,344</u>
	<u>2,512,133</u>	<u>1,499,550</u>

**Deferred tax asset**

	2018	2017
	£	£
At 1 January 2018	285,344	-
As recognised in Income	<u>272,019</u>	<u>285,344</u>
At 31 December 2018	<u>557,363</u>	<u>285,344</u>

The deferred tax asset is attributable to temporary timing differences relating to:

	2018	2017
	£	£
Plant, machinery and leasehold improvements	136,268	-
Employee costs	421,095	-
Tax losses available for future utilisation	-	285,344
<b>Total</b>	<u>557,363</u>	<u>285,344</u>

Please refer to detailed tax note in note 10

## Notes to the Financial Statements

For the Year Ended 31 December 2018

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

	2018	2017
	£	£
Trade creditors	245,477	441,071
Amounts owed to group undertakings	23,799,515	24,539,520
Other taxation and social security	2,667,088	4,220,693
Other creditors	2,774,447	2,310,300
Accruals and deferred income	5,427,531	5,235,157
	<u>34,914,058</u>	<u>36,746,741</u>

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

Interest is charged on any loan amounts owed to group undertakings at a rate between 1.7%- 2%.

**16. Financial instruments**

	2018	2017
	£	£
<b>Financial assets</b>		
Cash and cash equivalents	15,085,187	8,513,313
Financial assets that are debt instruments measured at amortised cost	23,192,295	31,301,626
	<u>38,277,482</u>	<u>39,814,939</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(28,348,177)</u>	<u>(29,058,496)</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

For the Year Ended 31 December 2018

**17. Share capital**

Shares classified as equity

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
1,313,824 Ordinary shares of £0.01 each	13,138	13,138

**18. Contingent liabilities**

The Company had no contingent liabilities at 31 December 2018 or 31 December 2017.

**19. Commitments under operating leases**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
<b>Equipment</b>		
Less than 1 year	4,117	4,940
Later than 1 year and no later than 5 years	-	4,117
	<u>4,117</u>	<u>9,057</u>
	2018 £	2017 £
<b>Building and other operating leases</b>		
Not later than 1 year	2,014,308	2,014,308
Later than 1 year and no later than 5 years	2,720,695	4,735,003
	<u>4,735,003</u>	<u>6,749,311</u>
<b>Total</b>		

During the year £1,422,342 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £1,789,815).

# Notes to the Financial Statements

For the Year Ended 31 December 2018

## 20. 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.