



Caplin Systems Limited

Directors' report and financial statements for the financial
year ended 31 March 2018

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the financial year ended 31 March 2018

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CAPLIN SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTOR P Myles (resigned 05/06/2018)
J Ashworth
S South (appointed 05/06/2018)

SECRETARY A Wood

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30 Mary Axe,
London,
EC3A 8EP
England

REGISTERED NUMBER OF INCORPORATION 02823818

INDEPENDENT AUDITOR PricewaterhouseCoopers
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Ireland

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SOLICITOR RLS Solicitors Limited
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WC2R 0LT
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STRATEGIC REPORT

for the financial year ended 31 March 2018

The directors present their Strategic Report on the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company continued to be that of the creation and marketing of computer software and services for online trading of financial instruments.

Highlights

During the year to 31 March 2018:

- We continued to provide an increasingly broad range of e-distribution solutions, including foreign exchange trading, options trading, structured products trading, equities trading and wealth management.
- We undertook a restructuring exercise which reflected a transition from high-value but capex-intensive initial licence model to a recurring revenue model, and adjusted costs accordingly.
- We now operate from a leaner base with a much stronger recurring revenue profile.
- A significant growth in revenues arose from a successful project with a European bank.

Financial Performance Indicators

The Company's key measures of financial performance are Turnover, Operating Profit, Net Profit after Taxation, and Net Cash Flow.

	2018	2017	Change
Revenues	£10.5m	£9.9m	£0.6m
Operating profit	£1.8m	£2.3m	(£0.5m)
Profit after taxation	£2.1m	£2.6m	(£0.5m)
Cash and bank balances	£3.1m	£2.2m	£0.9m

The Company continued to increase the value of recurring revenues as well as overall revenues compared to the previous year.

Investment in our products and solutions continued throughout the year reducing customers' time to market and associated cost of building single-dealer platforms.

Our profitability was reduced in the prior year by the reduction in revenues due to the transition from an initial licence to recurring licence model. All R&D costs were capitalised in the current year, but were charged to the Statement of Comprehensive Income as incurred and were not capitalised in the prior year due to the significant loss.

Outlook

Following the refinancing in the prior financial year, the Company is experiencing strong interest resulting from:

- The continued recovery in the financial markets.
- An increased willingness on the part of banks to buy rather than build software.
- The growing popularity of single-dealer platforms, particularly in the foreign exchange market.
- The increase in our global presence.
- Distribution opportunities arising from our partner companies.
- An accelerated move to automation in our clients' sales functions.

STRATEGIC REPORT

for the financial year ended 31 March 2018 (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which the Company faces are:

- The market for the development and implementation of single-dealer platforms is increasingly competitive, and some competitors may have greater technical and financial resources than the Company;
- The Company has a limited number of large customers in the financial services industry. The collapse of one of these could have a significant impact on the profitability of the Company;
- New regulations such as the Dodd Frank law in the US and MiFID/MiFIR in the EU may affect the Company's customers' activities, making the Company's proposition less attractive;
- Rapid evolution of software technology may render the Company's solution less attractive; and
- The Company's reputation and growth prospects would be at risk if poor quality products were released.

The Company has insurances, business policies and organisational structures to limit these risks and uncertainties. The Board of Directors and management regularly review, reassess and proactively limit the associated risks.

On behalf of the Directors



John Ashworth
Director

Date: 29 August 2018

DIRECTORS' REPORT

for the financial year ended 31 March 2018

The Directors present herewith their report and audited financial statements ("financial statements") for Caplin Systems Limited (the "Company") for the financial year ended 31 March 2018.

DIRECTORS AND THEIR INTERESTS

The names of the Directors who served at any time during the financial year are as listed below.

P Myles (resigned 05/06/2018)

J Ashworth

S South (appointed 05/06/2018)

RESEARCH AND DEVELOPMENT

The company carries out significant research and development, updating and maintaining a technology road map which identifies in detail the new products and product enhancements which will be developed in the next financial year. The company capitalises research and development in line with our accounting policy as set out in note 1 (d).

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There are no significant events since the statement of financial position date.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standards 101 – Reduced Disclosure Framework ("FRS 101").

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.

DIRECTORS' REPORT

for the financial year ended 31 March 2018 (*continued*)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

In preparing those 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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2006 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN


The Company has contractual arrangements in place with the parent company which ensures that the Company will have adequate resources to operate for the foreseeable future. This allows the Directors to prepare the financial statements on a going concern basis.

INDEPENDENT AUDITORS

PricewaterhouseCoopers have indicated their willingness to be reappointed for another term.

The Directors disposed with the requirement to hold an Annual General Meeting and to appoint auditors annually as the Company is a wholly owned subsidiary.

On behalf of the Directors



John Ashworth
Director

Date: 29 August 2018

Independent auditors' report to the members of Caplin Systems Limited

Report on the audit of the financial statements

Opinion

In our opinion, Caplin Systems Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Damian Byrne (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
30 August 2018

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 March 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
Revenue	2	10,485,128	9,946,662
General and administrative expenses		(8,731,803)	(7,634,502)
Operating profit	3	1,753,325	2,312,160
Interest receivable and similar income	7	379	2
Profit on ordinary activities before taxation		1,753,704	2,312,162
Tax credit on profit on ordinary activities	8	344,324	261,228
Profit for the financial year		2,098,028	2,573,390
Other comprehensive income		-	-
Total comprehensive profit		2,098,028	2,573,390

STATEMENT OF FINANCIAL POSITION
at 31 March 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
FIXED ASSETS			
Intangible assets	9	3,969,731	2,592,201
Tangible assets	10	77,153	91,317
		<u>4,046,884</u>	<u>2,683,518</u>
CURRENT ASSETS			
Debtors – amounts falling due within one year	11	1,818,025	5,247,808
Cash at bank and in hand		3,057,169	2,168,299
		<u>4,875,194</u>	<u>7,416,107</u>
CREDITORS (amounts falling due within one year)	12	(9,352,908)	(12,490,553)
		<u>(9,352,908)</u>	<u>(12,490,553)</u>
NET CURRENT LIABILITIES		<u>(4,477,714)</u>	<u>(5,074,446)</u>
Provisions for liabilities	13	-	(137,930)
NET LIABILITIES		<u><u>(430,830)</u></u>	<u><u>(2,528,858)</u></u>
CAPITAL AND RESERVES			
Called up share capital presented as equity	14	100,000	100,000
Accumulated losses		(530,830)	(2,628,858)
SHAREHOLDERS' DEFICIT		<u><u>(430,830)</u></u>	<u><u>(2,528,858)</u></u>

The notes on pages 12-28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 August 2018. They were signed on the Company's behalf by:



John Ashworth

Director

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

	<i>Called up share capital £</i>	<i>Accumulated losses £</i>	<i>Total equity £</i>
Balance at 1 April 2016	100,000	(5,202,248)	(5,102,248)
Profit for the financial year	-	2,573,390	2,573,390
Other comprehensive income for the financial year	-	-	-
Total comprehensive profit for the financial year	-	2,573,390	2,573,390
Balance at 31 March 2017	100,000	(2,628,858)	(2,528,858)
Profit for the financial year	-	2,098,028	2,098,028
Other comprehensive income for the financial year	-	-	-
Total comprehensive profit for the financial year	-	2,098,028	2,098,028
Balance at 31 March 2018	100,000	(530,830)	(430,830)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

(a) *Basis of preparation*

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standards 101 '*Reduced Disclosure Framework*' ("FRS 101"). The financial statements are prepared under the historical cost convention.

The directors consider it appropriate to prepare the financial statements on the going concern basis. The directors have considered the current financial position of the company and the future plans for the business, along with associated cash flow projects and on this basis are satisfied that the company can continue to prepare the financial statements on a going concern basis.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(c).

(b) *Exemptions utilised under FRS 101*

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7");
- Paragraph 38 of IAS 1 'Presentation of financial statements' ("IAS 1") comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 '*Property, plant and equipment*' ("IAS 16");
- The following paragraphs of IAS 1:
 - i. 10(d), (statement of cash flows);
 - ii. 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - iii. 16 (statement of compliance with all IFRS);
 - iv. 38A (requirement for minimum of two primary statements, including cash flow statements);
 - v. 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - vi. 111 (cash flow statement information); and
 - vii. 134-136 (capital management disclosures).
- IAS 7 '*Statement of cash flows*' ("IAS 7");
- Paragraph 30 and 31 of IAS 8 '*Accounting policies, changes in accounting estimates and errors*' ("IAS 8") (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(b) *Exemptions utilised under FRS 101 (continued)*

- Paragraph 17 of IAS 24 'Related party disclosures' ("IAS 24") (key management compensation);
- The requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group; and
- Paragraphs 130(f)(ii), 130(f)(iii), 123(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of assets' ("IAS 36").

(c) *Judgments and key sources of estimation uncertainty*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- (i) *Percentage of Completion (POC) estimates in Revenue:* Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. Estimates are made over the total expected labour hours based on project managers' estimated and revised budgets, however circumstances may change which will impact on the hours to complete. Please see note 1(n).
- (ii) *Capitalised Intangibles:* Assets are capitalised based on demonstrating the technical feasibility of completing the intangible asset so that it will be available for sale, intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.
- (iii) *Research and Development:* The Company makes research and development tax claims and there are certain judgements applied in respect of determining the quantifying spend.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(d) *Intangible assets*

Intangible assets acquired separately, such as software, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. Intangible assets with finite lives, such as software, are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. All intangible assets are amortised over three years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when all of the following criteria are satisfied:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised evenly over the period of expected future benefit.

The Company has capitalised £2,430,090 of development costs in the current period (2017: £2,190,003).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(e) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost or valuation less accumulated depreciation and impairment losses. Cost comprises the amount paid and the costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- Over the lease term
Computer equipment	- 3 years
Furniture, fittings & Equipment	- 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Any gain or loss arising from the de-recognition of the asset is included in the Statement of Comprehensive Income in the period of de-recognition.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

(f) *Financial assets*

Initial recognition and measurement - the Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement - for purposes of subsequent measurement, financial assets held by the Company are classified as follows:

- Loans and receivables - Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Impairment of financial assets - the Company assesses at the end of reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. Impairment losses are only incurred if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset and had an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(f) *Financial assets (continued)*

Derecognition - a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(g) *Financial liabilities*

Initial recognition and measurement - the Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Subsequent measurement - for purposes of subsequent measurement, financial liabilities held by the Company are classified as follows:

- Loans and borrowings - after initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

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

(h) *Cash at bank and in hand*

Cash at bank and in hand includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(i) *Provision for liabilities*

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(j) *Leases*

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern of the users benefit. The Company had no finance leases.

(k) *Pension costs*

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income and recognised as employee benefit expenses as they become payable in accordance with the rules of the scheme.

(l) *Foreign currency translation*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in pound sterling (£), which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(m) *Taxation*

The tax expense for the financial year comprises current and deferred tax. Current tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, current tax is charged or credited to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit or loss, in the Statement of Comprehensive Income.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(m) *Taxation (continued)*

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax assets which are only recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

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

(n) *Revenue recognition*

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Multi element arrangements and allocations of the transaction price

The Company derives revenue from licences and subscriptions of its software and related professional services, which can include; assistance in implementation, customisation and integration, post-contract customer support, and other professional services. In the event that an agreement with the Company's customers is executed in close proximity to other agreements with the same customer, the Company evaluates whether the separate agreements are linked, and, if so, the agreements together are considered a single multi-element arrangement. Where such multiple-element arrangements exist, the amount of revenue allocated to each distinct element is based upon the relative fair values of the various distinct elements. The fair values of each element are determined based on the best estimate of the current market price of each of the elements when sold separately. In determining the total transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

1. ACCOUNTING POLICIES (*continued*)

(n) *Revenue recognition (continued)*

Sale of and subscription to licences

Revenue is recognised over the period of the related sales agreement, unless the licence is not distinct from the post contractual support ("PCS"), in which case the licence revenue is recognised when the Company has no further obligations to perform in respect of the licence, and to the extent that the licence is considered a right of use of the software. Where the licence is distinct or is considered a right to access IP, the licence revenue is taken over the licence period. Where the licence is distinct and separated from the PCS, the PCS revenue is recognised over the PCS period in the sales agreement.

Rendering of services

Revenue pursuant to time and material professional services contracts are recognised as services are performed. Revenues from fixed-fee professional service contracts is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spend relative to the total expected labour hours. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known. Full provision is made for losses on all contracts in the year in which they are first foreseen.

(o) *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 recognised at amortised cost using the effective interest method.

(p) *Going Concern*

The Company has contractual arrangements in place with the parent company which ensures that the Company will have adequate resources to operate for the foreseeable future. This allows the Directors to prepare the financial statements on a going concern basis. The cash balance at year end was £3.1 million.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

2. REVENUE

Revenue was wholly derived from the Company's principal activity wholly undertaken in the United Kingdom. It comprises the value of goods and services sold, excluding VAT.

	2018 £	2017 £
United Kingdom	2,575,471	2,052,843
Rest of Europe	5,213,670	4,750,014
North America	1,100,925	1,137,174
Rest of the World	1,595,062	2,006,631
	<u>10,485,128</u>	<u>9,946,662</u>

3. OPERATING PROFIT

	2018 £	2017 £
<i>Operating profit is stated after charging/ (crediting):</i>		
Depreciation of tangible assets	70,020	110,264
Amortisation of intangible assets	2,119,466	924,852
Operating lease rentals		
- Plant and machinery	3,177	9,141
- Land and buildings	199,694	246,789
Foreign exchange losses	19,534	55,540
(Gain)/Loss on disposal of fixed assets	(4,313)	10,085

4. AUDITORS' REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £	2017 £
Audit of individual Company financial statements	23,697	23,099
Tax	<u>3,000</u>	<u>3,000</u>
	<u>31,962</u>	<u>26,099</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2018 (Continued)

5.	DIRECTORS' REMUNERATION	2018 £	2017 £
	The amounts paid to the Directors are as follows:		
	Salaries and other short-term employee benefits	480,958	409,189
	Pension contributions	7,720	10,470
	Compensation for loss of office	-	-
		<u>488,678</u>	<u>419,659</u>

The highest paid director received aggregate remuneration of £272,873 (2017: £246,855).

6.	STAFF COSTS	2018 £	2017 £
	Wages and salaries	3,973,355	3,764,871
	Social welfare costs	516,994	493,492
	Other pension costs	190,289	187,223
		<u>4,680,638</u>	<u>4,445,586</u>
	Staff costs are split as follows:		
	Capitalised in the year	2,430,089	2,190,003
	Expensed in the year	2,250,549	2,255,582
		<u>4,680,683</u>	<u>4,445,585</u>

The average monthly number of employees (including directors) during the year was:

	2018 <i>Number</i>	2017 <i>Number</i>
Administrative	11	9
Technical	47	46
Sales	3	4
	<u>61</u>	<u>59</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2018 (Continued)

7. INTEREST RECEIVABLE AND OTHER INCOME

	2018 £	2017 £
Bank interest	379	2
	<u>379</u>	<u>2</u>

8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	2018 £	2017 £
(a) <i>Tax on profit on ordinary activities</i> The tax credit is made up as follows:		
Current tax:		
UK corporation tax	(344,325)	(261,227)
Over provision in previous years	(1)	(1)
Total current tax	<u>(344,324)</u>	<u>(261,228)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	-
Tax on profit on ordinary activities (note 8(b))	<u>(344,324)</u>	<u>(261,228)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax credit for the year:

The tax assessed for the year differs (2017: differs) from that calculated by applying the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £	2017 £
Accounting profit before tax	1,753,704	2,312,162
Accounting profit before tax multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	333,204	462,432
Effects of:		
Expenses not deductible	-	6,021
Fixed asset differences	(1,857)	
Additional reduction for R&D	(596,107)	(569,401)
Surrender of tax losses for R&D tax credit	104,060	99,156
Adjustment in respect of prior years – corporation tax	(13,348)	(1)
Adjust deferred tax to average rate of 19% (2017: 20%)	(17,924)	(8,781)
Deferred tax not recognised	(152,352)	(250,654)
Tax on profit on ordinary activities (note 8(a))	(344,324)	(261,228)

The company has estimated losses of £3,021,895 (2017 - £3,021,895) available for carry forward against future trading profits, which have not been recognised as a deferred tax asset.

(c) Circumstances affecting future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2018 (Continued)
8. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES (continued)
(d) Deferred tax asset / (liability)

	2018	2017
	£	£
Decelerated capital allowances	1,532	10,093
Other short term timing differences	-	20
Tax losses	390,459	238,087
Intangibles	(391,991)	(248,200)
	<u>-</u>	<u>-</u>
Losses not recognised	123,284	275,636

9. INTANGIBLE ASSETS

	Software	Non-Software Intangibles	Development Costs	Total
	£	£	£	£
<i>Cost</i>				
At 1 April 2017	386,199	1,397,863	2,190,003	3,974,065
Additions	1,635	1,065,271	2,430,090	3,496,995
Disposal	-	-	-	-
At 31 March 2018	<u>387,834</u>	<u>2,463,134</u>	<u>4,620,093</u>	<u>7,471,060</u>
<i>Accumulated Depreciation</i>				
At 1 April 2017	(374,204)	(277,659)	(730,001)	(1,381,864)
Disposal	-	-	-	-
Charge for the year	(11,784)	(567,651)	(1,540,031)	(2,119,466)
At 31 March 2018	<u>(385,988)</u>	<u>(845,310)</u>	<u>(2,270,032)</u>	<u>(3,501,330)</u>
Net book value at 31 March 2018	<u>1,846</u>	<u>1,617,824</u>	<u>2,350,061</u>	<u>3,969,731</u>
Net book value at 31 March 2017	<u>11,995</u>	<u>1,120,204</u>	<u>1,460,002</u>	<u>2,592,201</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

10. TANGIBLE ASSETS

	Leasehold Improvements	Computer equipment	Fixtures, fittings, and equipment	Total
	£	£	£	£
<i>Cost</i>				
At 1 April 2017	310,509	502,317	181,912	994,738
Additions	-	67,290	-	67,290
Disposals	-	(109,385)	(42,159)	(151,544)
At 31 March 2018	310,509	460,222	139,753	910,484
<i>Accumulated Depreciation</i>				
At 1 April 2017	(279,877)	(455,340)	(168,204)	(903,421)
Charge for the year	(13,614)	(43,244)	(13,162)	(70,020)
Additions	-	(10,510)	-	(10,510)
Disposals	-	108,713	41,907	150,620
At 31 March 2018	(293,491)	(400,381)	(139,459)	(833,331)
Net book value at 31 March 2018	17,018	59,841	294	77,153
Net book value at 31 March 2017	30,632	46,977	13,708	91,317

11. DEBTORS

	2018 £	2017 £
<i>Amounts falling due within one year</i>		
Trade debtors	707,372	3,626,445
Amounts due from group undertakings	26,694	14,361
Prepayments and accrued income	649,410	325,671
VAT	58,493	59,073
Other debtors	45,789	38,338
Corporation Tax	330,267	1,183,920
	1,818,025	5,247,808

Amounts due from group undertakings are all unsecured non-interest bearing trade balances, repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2018 (Continued)

12. CREDITORS

	2018	2017
	£	£
<i>Amounts falling due within one year</i>		
Trade creditors	193,775	3,546,933
Amounts owed to group undertakings	4,926,441	4,932,292
Other taxation and social security	132,040	124,481
Other creditors	68,729	90,008
Accruals & deferred income	4,031,923	3,796,839
	<u>9,352,908</u>	<u>12,490,553</u>

Amounts due to group undertakings are all unsecured non-interest bearing trade balances, repayable on demand.

13. PROVISIONS FOR LIABILITIES

	Onerous lease provision £
As at 1 April 2016	566,398
Utilised	(349,266)
Reversal of unused amounts	(83,630)
Movement in discount rate	4,428
As at 31 March 2017	<u>137,930</u>
Utilised	
Reversal of unused amounts	(139,956)
Movement in discount rate	2,026
As at 31 March 2018	<u>-</u>

The year end provision is classified as follows:

	2018	2017
	£	£
Current	-	137,930
Non - current	-	-
	<u>-</u>	<u>137,930</u>

An onerous lease provision has been de-recognised as the first floor lease was re-assigned to a third party on 2nd May 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

14. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	31 March 2018 £	31 March 2017 £
Authorised		
10,000,000 (2017: 10,000,000) Ordinary Shares of 1p each	100,000	100,000

Ordinary Shares have full voting and dividend rights, and carry distribution rights upon a winding up, sale or quotation of the Company.

	31 March 2018 £	31 March 2017 £
Allotted, called up and fully paid		
10,000,000 (2017: 10,000,000) Ordinary Shares of 1p each	100,000	100,000

Ordinary Shares have full voting rights and dividend rights as declared.

CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

15. COMMITMENTS

Future minimum lease commitments under non-cancellable operating leases as at 31 March 2018 are as follows:

	Land & Buildings £	Other £
Within one year	241,421	2,400
After one year but not more than five years	55,562	5,389
More than five years	-	-
	296,983	7,789

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018 (Continued)

16. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge representing contributions payable by the Company to the scheme in 2018 amounted to £190,289 (2017: £187,223). Contributions payable to the fund at the year end amounted to £18,383 (2017: £15,720).

17. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with Directors are disclosed in note 5. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

18. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company's immediate parent controlling party is Caplin Group Limited, a company incorporated in England. 100% of Caplin Group Limited's equity was sold to Caplin Technologies Limited, a company registered in Ireland, in two tranches on 2 April 2015 and 11 June 2015.

The largest and smallest group in which the results of the company are consolidated is that headed by Lab49 Consulting Holdings Limited and Caplin Group Limited. Consolidated financial statements are available to the public and may be obtained from Companies Registration Office and Companies House.

19. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events since the statement of financial position date.

20. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved and authorised for issue the financial statements in respect of the financial year ended 31 March 2018 on 29 August 2018.