

**Caplin Group Limited - 03202240**

Annual report and financial statements for the financial year  
ended 31 December 2019



**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**for the financial year ended 31 December 2019**

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**CAPLIN GROUP LIMITED**

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**COMPANY INFORMATION**

DIRECTORS	J Ashworth S South S Veasey
SECRETARY	A Woods
REGISTERED OFFICE	c/o Ion 10 Queen Street Place, London, EC4R 1BE UK
REGISTERED NUMBER OF INCORPORATION	03202240
INDEPENDENT AUDITORS	PricewaterhouseCoopers One Spencer Dock, North Wall Quay, Dublin 1 Ireland

## CAPLIN GROUP LIMITED

### STRATEGIC REPORT

for the financial year ended 31 December 2019

The Directors present their Strategic Report on Caplin Group Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019.

#### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Group 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 December 2019:

- 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 continue to expand our customer base with sales to customers in Europe, South East Asia and the United States of America.

##### Financial Performance Indicators

The Group's key measures of financial performance are Revenue, Operating (Loss)/ Profit, (Loss)/ Profit after Taxation, and Net Cash Flow.

	2019	2018 (9 months)	2018 (annualised)	Change (against 2018 annualised)
Revenue	£7.8m	£8.1m	£10.8m	(£3.0m)
Operating (loss)/ profit	(£1.8m)	£0.02m	£0.03m	(£1.83m)
(Loss)/ profit after taxation	(£0.7m)	£0.1m	£0.1m	(£0.8m)
Net cash flow from operating activities	(£0.8m)	£2.6m	£3.5m	(£4.3m)
Cash and bank balances	£1.2m	£4.3m	£4.3m	(£3.1m)

The Group was unable to maintain a high level of new sales during the year leading to a significant reduction in revenue compared to the prior period. Cost reductions were made compared to the prior period, though the Group continued to service its products and ongoing customer projects at a high level.

Investment in our products and solutions continued throughout the year reducing customers' time to market and associated cost of building single-dealer platforms. Development cost additions in the year were £2,214k versus £1,316k in prior 9 month period.

##### Outlook

The nature of the Group's trading activities, with a high level of stable and annually recurring receipts, gives the Directors confidence that the Group will not be significantly impacted by the Covid-19 pandemic. The Group's products are generally licensed under multi-year contracts and are fully integrated into customers' trading infrastructure. This gives the Group protection against the short to medium term economic impact of the pandemic. Demand for the Group's products, such as mobile trading solutions, are expected to increase as financial institutions consider the longer term impact on their trading systems.

The Group continues to see demand for its products resulting from:

- 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 December 2019 (Continued)**

***PRINCIPAL RISKS AND UNCERTAINTIES***

The principal risks and uncertainties which the Group 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 Group;
- The Group 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 Group;
- New regulations such as the Dodd Frank law in the US and MiFID/MiFIR in the EU may affect the Group's customers' activities, making the Group's proposition less attractive;
- Rapid evolution of software technology may render the Group's solution less attractive; and
- The Group's reputation and growth prospects would be at risk if poor quality products were released.

The Group 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: 4 September 2020

**DIRECTORS' REPORT**

**for the financial year ended 31 December 2019**

The Directors present herewith their report and audited consolidated financial statements ("financial statements" or "consolidated financial statements") for the financial year ended 31 December 2019.

***DIRECTORS AND THEIR INTERESTS***

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

J Ashworth  
S South  
S Veasey

None of the Directors, nor the secretary of the Group, including their spouses and minor children had a direct interest in the share capital of the Group at year end.

***EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE***

By the date of signing these financial statements, the COVID-19 pandemic had reached most continents since the initial outbreak in China at the end of 2019. Currently there is a growing concern about its impact on the global economy with a significant correction in the financial markets observed in the first quarter of 2020. Governments and global health agencies are making strong efforts to contain the virus spread and the Group's management continues to actively monitor the economic impact. These recent developments do not require any adjustment to these financial statements.

At present, the detailed impact of the pandemic on the Group is difficult to assess, however, the possible impact of the virus has been considered by the Board in their assessment of the Group's ability to continue as a going concern. The Group has enabled work from home capabilities for all employees via laptops, which is assisting in reducing the impact of office closures. Given the nature of the business, the COVID-19 pandemic is not expected to have a material impact on the Group's performance.

On 31 January 2020, the UK left the European Union and entered a transition period that will continue until 31 December 2020. No adjustment to these financial statements is required because of this.

***RESEARCH AND DEVELOPMENT***

The Group 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 Group capitalises research and development in line with our accounting policy as set out in note 1 (d).

***EMPLOYEE MATTERS***

The well-being of the Group's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 2005 imposes certain requirements on directors, managers and employees. The Group has taken the necessary action to ensure compliance with the Act, including the adoption of a safety statement.

**DIRECTORS' REPORT**

**for the financial year ended 31 December 2019 (Continued)**

***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 Group'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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclosures with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ENVIRONMENTAL MATTERS**

The Group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Group has complied with all applicable legislation and regulations.

**GOING CONCERN**

The nature of the Group's trading activities, with a high level of stable and annually recurring receipts, gives the Directors confidence that the Group will not be significantly impacted by either the Covid-19 pandemic or the ongoing Brexit process.

Given the recent financial performance of the Group, the Directors have reviewed the future plans for the business and associated cash flow projections, ensuring that adequate funding is available to support the ongoing trading operations of the Group. This review has considered the following points:

- Due to the Group's annual billing cycle, with the majority of the Group's annually recurring revenue invoiced in October, the Group's cash reserves are typically at a lower than average level during the fourth quarter of a given year.

**DIRECTORS' REPORT**

**for the financial year ended 31 December 2019 (Continued)**

- The Group is reliant on an unsecured overdraft facility to provide immediate liquidity through to November 2020. This overdraft facility is unsecured and subject to regular bank review, the first such review being in November 2020.
- In addition, the Group expects to receive a large R&D tax credit from HMRC during October 2020. The Group has a history of receiving annual R&D tax credits and this expected receipt is consistent with previous claims.
- Detailed cash flow projections for 2020 show that, assuming receipt of the R&D tax credit, the Group has sufficient liquidity to support normal trading operations. Should there be a delay in receipt of the R&D tax credit, the Group has contingency plans which include seeking alternative funding sources and reaching short-term deferral arrangements with suppliers and other creditors. Alternative funding sources could include support from intermediate parent companies.
- Detailed projections for 2021 show the Group does not forecast a similar liquidity shortfall in Q4 2021. These projections have been stress tested, including a scenario with no new growth in recurring revenue levels, and show the Group will retain sufficient cash reserves through 2021.

The Directors are therefore satisfied that the Group can continue to prepare the financial statements on a going concern basis.

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

**STATEMENT UNDER SECTION 172 OF THE COMPANIES ACT 2006**

The Directors recognise the importance of collaboration and stakeholder engagement. The Directors believe that the Group will only succeed by working with employees, customers, suppliers, investors and other stakeholders. Examples of how the Group engaged with various stakeholders:

- Employees are engaged by having 1-2-1 meetings with line managers, weekly entire company standups, daily team standups and 360 appraisals.
- Customers are engaged with regularly by our account management team to ensure a continued high level of service and understand future requirements to feedback into product roadmaps.
- Suppliers are engaged with on contract renewals to maintain service levels and cost efficiencies.
- Investors are engaged with regularly, at least quarterly, including the provision of latest and forecast financial information.

On behalf of the Directors



John Ashworth  
Director

Date: 4 September 2020



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPLIN GROUP LIMITED**

### **Report on the financial statements**

#### ***Our opinion***

In our opinion, Caplin Group Limited's Group financial statements and the Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### ***What we have audited***

The financial statements, included within the Directors' Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 December 2019;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other matters on which we are required to report by exception**

#### ***Adequacy of accounting records and information and explanations received***

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, 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.

We have no exceptions to report arising from this responsibility.

#### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPLIN GROUP LIMITED (*Continued*)**

**Responsibilities for the financial statements and the audit**

***Our responsibilities and those of the Directors***

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Group'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.

***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Donal Boyle (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Auditors Dublin

Date: 4 September 2020

**CAPLIN GROUP LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the financial year ended 31 December 2019

	<i>Note</i>	<i>Year ended Dec 2019 £</i>	<i>9 months to Dec 2018 £</i>
Revenue	2	7,825,032	8,086,899
Operating expenses		(9,643,069)	(8,067,305)
<b>Operating (loss)/ profit</b>	3	(1,818,037)	19,594
Interest receivable and other income	7	25,982	1,083
Finance costs and similar charges	8	(74,687)	(25)
<b>(Loss)/ profit on ordinary activities before taxation</b>		(1,866,742)	20,652
Tax credit on profit on ordinary activities	9	1,213,697	98,768
<b>(Loss)/ profit for the financial year</b>		<b>(653,045)</b>	<b>119,420</b>
Other comprehensive (expense)/ income:			
Exchange difference on translation of foreign operations		(568)	1,239
<b>Total comprehensive (loss)/ income</b>		<b>(653,613)</b>	<b>120,659</b>

**CAPLIN GROUP LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2019**

		<i>As at</i> <i>Dec 2019</i> £	<i>As at</i> <i>Dec 2018</i> £
<b>ASSETS EMPLOYED</b>	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	2,584,910	3,262,297
Property, plant and equipment	12	1,174,788	124,131
		<u>3,759,698</u>	<u>3,386,428</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	7,119,386	6,622,768
Cash and cash equivalents		1,190,791	4,260,016
		<u>8,310,177</u>	<u>10,882,784</u>
<b>TOTAL ASSETS</b>		<u><b>12,069,875</b></u>	<u><b>14,269,212</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Called up share capital	19	3,220	3,220
Share premium account		6,670,469	6,670,469
Other reserves		99,002	99,002
Foreign currency translation reserve		(491)	77
Accumulated losses		(767,305)	(114,260)
<b>TOTAL EQUITY</b>		<u>6,004,895</u>	<u>6,658,508</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	13	725,071	-
Loans and borrowings	16	299,248	-
		<u>1,024,319</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	1,293,952	2,976,645
Provisions		-	65,463
Deferred revenue		3,746,709	4,568,596
<b>TOTAL LIABILITIES</b>		<u>6,064,980</u>	<u>7,610,704</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>12,069,875</b></u>	<u><b>14,269,212</b></u>

The notes on pages 17- 40 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 4 September 2020 and authorised for issue on 4 September 2020

They were signed on its behalf by:



John Ashworth  
Director

**CAPLIN GROUP LIMITED**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2019**

	<i>Note</i>	<i>As at Dec 2019 £</i>	<i>As at Dec 2018 £</i>
<b>ASSETS EMPLOYED</b>			
<b>NON-CURRENT ASSETS</b>			
Financial assets	11	145,752	145,752
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	3,357,622	3,644,672
Cash and cash equivalents		3,849	4,516
		3,361,471	3,649,188
<b>TOTAL ASSETS</b>		<b>3,507,223</b>	<b>3,794,940</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Called up share capital	19	3,220	3,220
Share premium account		6,670,469	6,670,469
Accumulated losses		(3,166,882)	(2,879,166)
<b>TOTAL EQUITY</b>		<b>3,506,807</b>	<b>3,794,523</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	416	417
<b>TOTAL LIABILITIES</b>		<b>416</b>	<b>417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,507,223</b>	<b>3,794,940</b>

## CAPLIN GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 for the financial year ended 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Foreign currency translation reserves</i>	<i>Accumulated losses</i>	<i>Total equity</i>
	£	£	£	£	£	£
<b>Balance as at 1 April 2018</b>	3,220	6,670,469	99,002	(1,162)	(905,272)	5,866,257
Adjustment related to IFRS 15	-	-	-	-	671,592	671,592
<b>Adjusted Balance 1 April 2018</b>	3,220	6,670,469	99,002	(1,162)	(233,680)	6,537,849
Profit for the financial period	-	-	-	-	119,420	119,420
Other comprehensive loss for the financial period	-	-	-	1,239	-	1,239
<b>Total comprehensive profit for the financial period</b>	-	-	-	1,239	119,420	120,659
<b>Balance at 31 Dec 2018</b>	<b>3,220</b>	<b>6,670,469</b>	<b>99,002</b>	<b>77</b>	<b>(114,260)</b>	<b>6,658,508</b>
Loss for the financial year	-	-	-	-	(653,045)	(653,045)
Other comprehensive expense for the financial year	-	-	-	(568)	-	(568)
<b>Total comprehensive loss for the financial year</b>	-	-	-	(568)	(653,045)	(653,613)
<b>Balance at 31 December 2019</b>	<b>3,220</b>	<b>6,670,469</b>	<b>99,002</b>	<b>(491)</b>	<b>(767,305)</b>	<b>6,004,895</b>

CAPLIN GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
for the financial year ended 31 December 2019

	Share capital £	Share premium £	Accumulated losses £	Total equity £
Balance as at 1 April 2018	3,220	6,670,469	(2,878,684)	3,795,005
Loss for the financial period	-	-	(482)	(482)
Total comprehensive loss for the financial period	-	-	(482)	(482)
Balance at 31 December 2018	3,220	6,670,469	(2,879,166)	3,794,523
Loss for the financial year	-	-	(287,716)	(287,716)
Total comprehensive loss for the financial year	-	-	(287,716)	(287,716)
Balance at 31 December 2019	3,220	6,670,469	(3,166,882)	3,506,807

**CAPLIN GROUP LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the financial year ended 31 December 2019

	Note	Year to Dec 2019 £	9 months to Dec 2018 £
<b>Cash flows from operating activities</b>			
(Loss)/ Profit before tax		(1,866,742)	20,652
<i>Adjustments for:</i>			
Depreciation and amortisation of non-current assets	3	3,150,418	2,137,577
Gain on disposal of property, plant and equipment	3	(9,758)	(1,015)
Finance costs	8	74,687	25
Foreign exchange loss/ (gain)	3	6,428	(14,910)
Interest receivable and other income	7	(25,982)	(1,083)
		<u>1,329,051</u>	<u>2,141,246</u>
<i>Movements in working capital:</i>			
Decrease/ (increase) in trade receivables	13	1,548,877	(1,891,245)
Increase in other assets	13	(831,442)	(1,115,601)
(Decrease)/ Increase in trade and other payables	14	(786,198)	894,269
(Decrease)/ Increase in provisions	15	(65,463)	65,463
(Decrease)/ Increase in contract liability	16	(1,196,588)	1,409,161
(Decrease)/ Increase in deferred revenue		(821,887)	802,375
Income tax received and foreign income tax paid		(345)	331,423
Lease incentive		195,000	-
Short term lease & low-value assets payments		(22,496)	-
		<u>(651,491)</u>	<u>2,637,091</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		9,758	1,015
Purchase of property, plant and equipment	12	(637,190)	(158,459)
Purchase of intangible assets	10	-	(2,688)
Interest received	7	25,982	1,083
Development costs capitalised	10	(2,214,232)	(1,315,558)
		<u>(2,815,682)</u>	<u>(1,474,607)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		502,815	-
Repayment of borrowings		(61,821)	-
Interest paid		(24,999)	-
		<u>415,995</u>	<u>-</u>



**CAPLIN GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT (Continued)**  
**for the financial year ended 31 December 2019**

	<i>Year to Dec 2019 £</i>	<i>9 months to Dec 2018 £</i>
Net (decrease)/ increase in cash and cash equivalents	(3,051,178)	1,162,484
Net foreign exchange difference	(18,047)	15,963
Cash and cash equivalents brought forward	4,260,016	3,081,569
<b>Cash and cash equivalents at year end</b>	<b>1,190,791</b>	<b>4,260,016</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019**

**1. ACCOUNTING POLICIES**

**(a) General information**

The consolidated financial statements for the Group were authorised for issue by the directors on 4 September 2020. The Company is a private limited company incorporated in the United Kingdom. The registered office address is c/o Ion, 10 Queen Street Place, London, EC4R 1BE. The principal activities of the Group are described in the Directors' Report. The ultimate parent undertaking is disclosed in note 23.

**(b) Basis of preparation**

The financial statements of the parent company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU. IFRS as adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in pound sterling (£), which is also the parent company's functional currency. The consolidated financial statements have been prepared on a going concern basis.

**(c) Basis of consolidation**

The Group financial statements consolidate the financial statements of the parent company and all of its subsidiary undertakings prepared to 31 December 2019.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired.

Where the financial statements of subsidiary undertakings are prepared to a year end that differs from that of the parent company, the amounts included in the consolidated financial statements in respect of these subsidiary undertakings are represented by their latest financial statements prepared to their respective year ends, together with management accounts for the intervening years to 31 December 2019. Financial statements of subsidiaries are prepared using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

**(d) Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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 judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**(d) Judgements and key sources of estimation uncertainty (continued)**

- (i) *Going concern:* The nature of the Group's trading activities, with a high level of stable and annually recurring receipts, gives the directors confidence that the Group will not be significantly impacted by either the Covid-19 pandemic or the ongoing Brexit process.

Given the recent financial performance of the Group, the Directors have reviewed the future plans for the business and associated cash flow projections, ensuring that adequate funding is available to support the ongoing trading operations of the Group. This review has considered the following points:

- Due to the Group's annual billing cycle, with the majority of the Group's annually recurring revenue invoiced in October, the Group's cash reserves are typically at a lower than average level during the fourth quarter of a given year.
- The Group is reliant on an unsecured overdraft facility to provide immediate liquidity through to November 2020. This overdraft facility is unsecured and subject to regular bank review, the first such review being in November 2020.
- In addition, the Group expects to receive a large R&D tax credit from HMRC during October 2020. The Group has a history of receiving annual R&D tax credits and this expected receipt is consistent with previous claims.
- Detailed cash flow projections for 2020 show that, assuming receipt of the R&D tax credit, the Group has sufficient liquidity to support normal trading operations. Should there be a delay in receipt of the R&D tax credit, the Group has contingency plans which include seeking alternative funding sources and reaching short-term deferral arrangements with suppliers and other creditors. Alternative funding sources could include support from intermediate parent companies.
- Detailed projections for 2021 show the Group does not forecast a similar liquidity shortfall in Q4 2021. These projections have been stress tested, including a scenario with no new growth in recurring revenue levels, and show the Group will retain sufficient cash reserves through 2021.

The Directors are therefore satisfied that the Group can continue to prepare the financial statements on a going concern basis.

- (ii) *Revenue recognised over time:* As set out in note 1(p), revenue pursuant to time and material professional services contracts are recognised as services are performed, based on the actual service provided to the end of the reporting year 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.
- (iii) *Provisions and accruals:* In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to settle the obligation and the expected timing of those costs. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(d) *Judgements and key sources of estimation uncertainty (continued)*

(iv) *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.

(v) *Revenue recognition for licences around point in time/ over time*: The determination around whether to recognise licences at a point in time or over time is driven by when control is transferred. When there are multi performance obligations a dominant feature is determined by reference to specific features in the individual contracts.

(e) *Intangible assets*

Intangible assets acquired separately 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 profit or loss in the year in which the expenditure is incurred. Intangible assets with finite lives 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 year and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting year. 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 year 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 Group 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 year.

The Group has capitalised £2,214,232 of development costs in the current year (2018: £1,315,558).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 1. ACCOUNTING POLICIES (Continued)

*(f) Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's (or cash-generating unit) fair value less costs to sell and its value in use and is determined at the individual asset level, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

*(g) Property, plant and equipment*

Property, plant and equipment 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 property, plant and equipment, 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:

Right to use	- Over the lease term
Leasehold improvements	- Over the lease term
Fixtures & fittings	- 3 years
Office equipment	- 3 years

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

*(h) Cash and cash equivalents*

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.

*(i) Provision for liabilities*

A provision is recognised when the Group 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*

The Group applied IFRS16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated, it is presented as previously reported under IAS17 and related interpretations. Additionally, the disclosure requirement in IFRS16 have not generally been applied to comparative information. The cumulative effect of initial application of IFRS16 at 1 January 2019 is £nil.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**(j) Leases (continued)**

At inception of a contract, the Group assess whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to contract the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (i) The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- (ii) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and
- (iii) The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - a. The Group has the right to operate the asset
  - b. The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Right of use assets are measured at cost comprising of the following:

- The amount of the initial measure of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs
- Restoration costs

Lease liabilities are initially measured at present value basis. The lease payments are discounted using the interest rate implicit in the lease or lessee's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

At the 1 January 2019, the date of adoption of the standard, the Group had no right of use assets and no lease liabilities.

**(j) Pre IFRS 16 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.

**(k) Pension costs**

The Group operates defined contribution pension schemes. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**(l) Financial assets**

*Initial recognition and measurement* - the Group 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 Group are classified as follows:

- **Loans and receivables** - Loans and 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 Group assesses at the end of reporting year 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.

*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 Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**(m) Financial liabilities**

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

*Subsequent measurement* - for purposes of subsequent measurement, financial liabilities held by the Group 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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**1. ACCOUNTING POLICIES (Continued)**

**(m) *Financial liabilities (continued)***

*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.

**(n) *Foreign currency translation***

Items included in the financial statements of each individual Group entity are measured using the currency of the primary economic environment in which the entity operates ('the 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.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. On consolidation, the assets and liabilities of foreign operations are translated into pound sterling (£) at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in the Statement of Comprehensive Income.

**(o) *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 and 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.

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 profit 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(o) *Taxation (continued)*

The carrying amount of deferred tax assets is reviewed at each statement of financial position date. Deferred tax assets and liabilities are offset, only if a legally enforceable 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 group to make a single net payment.

(p) *Revenue recognition*

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or service to a customer.

*Multi element arrangements and allocations of the transaction price*

The Group derives revenue from licences 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 Group's customers is executed in close proximity to other agreements with the same customer, the Group 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 Group 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 Group with a significant benefit of financing the transfer of goods or services to the customer.

*Arrangements with multiple performance obligations*

The Group's contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers, or by using an expected cost plus margin approach. Performance obligations are determined by promises in the contract to transfer services to a customer that are distinct.

*Sale of and subscription to licences*

Revenue is recognised over the year of the related sales agreement, unless the licence is not distinct or has a dominant feature separate from the post contractual support ("PCS"), in which case the licence revenue is recognised when the Group 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 recognised at a point in time. Where the licence is distinct and separated from the PCS, the PCS revenue is recognised over the PCS year in the sales agreement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(p) *Revenue recognition (continued)*

*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 year 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 year 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.

*Deferred revenues*

The Group records deferred revenues when cash payments are received or due in advance of the performance, including amounts which are refundable. The Group's payment terms vary by the type and location of the customer, and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, the Group requires payment before the products or services are delivered to the customer.

(q) *Contract assets and liabilities*

The Group records contract assets as its right to consideration in exchange for goods or services that it has transferred to a customer. A contract liability is recorded as the Group's obligation to transfer goods or services to a customer for which it has received consideration from the customer.

(r) *New standards and interpretations*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(s) *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.

## CAPLIN GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

#### 2. REVENUE

Revenue was wholly derived from the Group's principal activity undertaken in the United Kingdom. It comprises the value of services sold, excluding VAT. The Group has recognised the following amounts relating to revenue in the Statement of Comprehensive Income:

	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
<b>Geographical source of revenue:</b>		
United Kingdom	1,683,379	1,638,891
Rest of Europe	1,878,835	1,315,699
North America	1,087,795	2,183,039
Rest of the world	3,175,023	2,949,270
	<u>7,825,032</u>	<u>8,086,899</u>
Licences and support	5,668,263	5,232,814
Professional services	2,156,769	2,854,085
	<u>7,825,032</u>	<u>8,086,899</u>

#### Revenue recognised in relation to contract liabilities:

	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>1,196,588</u>	<u>-</u>

#### 3. OPERATING (LOSS)/ PROFIT

	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
<i>Operating (loss)/ profit is stated after charging/ (crediting):</i>		
Depreciation of property, plant and equipment	258,799	111,908
Amortisation of intangible assets	2,891,619	2,025,679
Operating lease rental		
- Plant and machinery	-	1,825
- Land and buildings	-	146,469
Foreign exchange losses/ (gain)	6,428	14,910
Gain on disposal of property, plant and equipment	(9,758)	(1,015)

**CAPLIN GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

4. AUDITORS' REMUNERATION	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
Audit of Group financial statement	32,860	25,192
Tax	3,105	16,738
	<u>35,965</u>	<u>41,930</u>

5. DIRECTORS' REMUNERATION	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
The amounts paid to the Directors are as follows:		
Salaries and other short-term employee benefits	567,383	369,886
Pension contributions	33,965	15,696
	<u>601,348</u>	<u>385,582</u>

The highest paid Director received aggregate remuneration of £256,100 (2018: £206,970).

6. STAFF COSTS	<i>Year ended Dec 2019 £</i>	<i>9 Months to Dec 2018 £</i>
Wages and salaries	4,308,365	3,213,782
Social welfare costs	571,369	431,069
Other pension costs	386,236	200,465
Temporary staff and contractors	1,729,941	1,400,357
	<u>6,995,911</u>	<u>5,244,873</u>
Staff costs are split as follows:		
Capitalised in the year	2,214,232	1,315,558
Expensed in the year	4,781,679	3,929,315
	<u>6,995,911</u>	<u>5,244,873</u>

The average number of employees including executive Directors, during the year was as follows:

	<i>Year ended Dec 2019 No.</i>	<i>9 Months to Dec 2018 No.</i>
Administrative	12	11
Technical	62	60
Sales	4	3
	<u>78</u>	<u>74</u>

**CAPLIN GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2019 (Continued)**

7.	INTEREST RECEIVABLE AND OTHER INCOME	<i>Year ended Dec 2019</i>	<i>9 Months to Dec 2018</i>
		£	£
	Interest	25,982	1,083
8.	FINANCE COSTS AND SIMILAR CHARGES	<i>Year ended Dec 2019</i>	<i>9 Months to Dec 2018</i>
		£	£
	Interest expense	74,687	25
9.	TAXATION	<i>Year ended Dec 2019</i>	<i>9 Months to Dec 2018</i>
		£	£
(a)	<i>Tax credit on (loss)/ profit on ordinary activities</i> The tax credit is made up as follows:		
	Current tax:		
	Corporation tax on profit for the year	(903,290)	(97,612)
	Foreign tax	199	580
	Under provision for prior years	(310,605)	(1,736)
	Total current tax	(1,213,696)	(98,768)
	Tax credit on (loss)/ profit on ordinary activities (note 9(b))	(1,213,696)	(98,768)
(b)	<i>Factors affecting tax credit for the year:</i> The tax assessed for the year differs (2018: differs) from that calculated by applying the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:		
		<i>Year ended Dec 2019</i>	<i>9 Months to Dec 2018</i>
		£	£
	(Loss)/ profit on ordinary activities before tax	(1,866,742)	20,652
	Accounting (loss)/ profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(354,681)	3,924
	Effects of:		
	Expenses not deductible and fixed asset differences	24,935	152,273
	R&D tax credit	(839,032)	(303,606)
	Surrender of tax losses for R&D tax credit	280,331	30,293
	Foreign exchange	(81)	1,018
	Foreign tax	199	580
	Adjustment in respect of prior year corporation tax	(310,605)	(1,735)
	Impact of rate change	(1,554)	1,946
	Other	(13,208)	16,539
		(1,213,696)	(98,768)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 9. TAX CREDIT ON (LOSS)/ PROFIT ON ORDINARY ACTIVITIES (Continued)

(c) *Deferred tax liability*

	2019	2018
	£	£
Accelerated capital allowances	(14,042)	(2,814)
Tax losses	387,107	373,921
Other short term timing differences	5,621	-
Intangibles	(378,686)	(371,107)
	-	-
Losses not recognised	126,614	139,822

The Group has estimated losses of £3,021,895 (2018 - £3,021,895) available for carry forward against future trading profits, which have not been recognised as a deferred tax asset. No deferred tax asset has been recognised with regards to this element of the losses as Management do not consider that sufficient profits will arise in the future to utilise these losses against.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

## 10. INTANGIBLE ASSETS - GROUP

	Software	Non-Software intangibles	Development costs	Total
	£	£	£	£
<i>Cost</i>				
At 1 Jan 2019	390,522	2,463,134	5,935,651	8,789,307
Additions	-	-	2,214,232	2,214,232
At 31 December 2019	390,522	2,463,134	8,149,883	11,003,539
<i>Accumulated Amortisation</i>				
At 1 Jan 2019	(386,971)	(1,386,094)	(3,753,945)	(5,527,010)
Charge for the year	(1,447)	(721,045)	(2,169,127)	(2,891,619)
At 31 December 2019	(388,418)	(2,107,139)	(5,923,072)	(8,418,629)
NBV at 31 Dec 19	2,104	355,995	2,226,811	2,584,910
NBV at 31 Dec 18	3,551	1,077,040	2,181,706	3,262,297

**CAPLIN GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 December 2019 (Continued)****11. FINANCIAL ASSETS - COMPANY**

	<i>Company</i> 2019	<i>Company</i> 2018
<i>Investments</i>	£	£
Cost and net book value at 1 Jan 19/ 1 April 18	145,752	145,752
Cost and net book value at 31 Dec 19/ 31 Dec 18	<u>145,752</u>	<u>145,752</u>

The subsidiary undertakings of the Company all of which are 100% directly or indirectly owned, as at 31 December 2019, are set out below. All shareholdings are in ordinary shares:

<b>Company</b>	<b>Country of Incorporation</b>	<b>Principal activity</b>
Caplin Systems Limited	England	Development and sale of software for financial instruments and related services
Caplin Systems, Inc	USA	Non-trading
Caplin Systems (Singapore) Pte Ltd	Singapore	Non-trading

## CAPLIN GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2019 (Continued)

## 12. PROPERTY, PLANT AND EQUIPMENT - GROUP

Group	<i>Right-of-use asset</i> £	<i>Leasehold improvements</i> £	<i>Fixtures &amp; fittings</i> £	<i>Office equipment</i> £	<i>Total</i> £
<b>Cost</b>					
At 1 Jan 2019	-	375,972	152,229	576,188	1,104,389
Additions - Right of use asset	673,915	-	-	-	673,915
Additions - Other	-	428,100	82,761	126,329	637,190
Disposals	-	(375,972)	(4,400)	(60,139)	(440,511)
At 31 December 2019	673,915	428,100	230,590	642,378	1,974,983
<b>Accumulated Depreciation</b>					
At 1 Jan 2019	-	(364,675)	(143,377)	(472,206)	(980,258)
Charge for the year	(90,719)	(73,123)	(19,779)	(75,178)	(258,799)
Disposals	-	375,972	4,400	58,490	438,862
At 31 December 2019	(90,719)	(61,826)	(158,756)	(488,894)	(800,195)
Net book value at 31 December 2019	583,196	366,274	71,834	153,484	1,174,788
Net book value at 31 December 2018	-	11,297	8,852	103,982	124,131



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 13. LEASES

The Group has one real estate lease for a property which is being used for the executive and administrative offices, and has a weighted average remaining lease term of 3.5 years. The incremental borrowing rate was determined by the use of the recent third-party financing received by the Group and adjusted specifically to the lease term.

The incremental borrowing rate is equal 7.44%.

Leases amounts recognised in the statement of financial position:

<b>Right-of-use assets</b>	<b>2019</b>	<b>2018</b>
	£	£
<i>Buildings</i>	583,196	-
	<u>583,196</u>	<u>-</u>
<b>Lease liabilities</b>		
Current	183,348	-
Non-current	725,071	-
	<u>908,419</u>	<u>-</u>
	<b>2019</b>	<b>2018</b>
	£	£
<i>Amounts recognised in the statement of Comprehensive Income relating to leases:</i>		
Depreciation charge of right-of-use assets	90,719	-
Interest expense (included in finance cost)	49,125	-
Expense relating to short term leases	20,496	-
Expense relating to leases of low value assets	<u>2,000</u>	<u>-</u>

The total cash outflow for leases in 2019 was £nil.

At 31 December the Company had the following future minimum lease payments under non-cancellable leases for each of the following periods:

	<b>2019</b>
	£
2020	249,249
2021	347,268
2022	347,268
2023	<u>101,286</u>
<b>Total</b>	<b>1,045,071</b>
Less: present value adjustment	<u>(136,652)</u>
<b>Lease liability</b>	<b>908,419</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 14. TRADE AND OTHER RECEIVABLES

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade receivables	1,721,333	-	3,270,210	-
Prepayments and accrued income	2,070,433	-	1,827,794	-
Other debtors	228,630	-	42,527	-
Amounts owed from fellow group undertakings	1,785,821	3,357,522	1,383,120	3,644,592
Corporation tax	1,313,169	-	99,117	-
VAT	-	100	-	80
	<u>7,119,386</u>	<u>3,357,622</u>	<u>6,622,768</u>	<u>3,644,672</u>

Amounts owed from fellow group and related undertakings are all unsecured non-interest bearing trade balances, repayable on demand. With the exception of a £385,000 loan to immediate parent company, Caplin Technologies Limited which bears 5% interest per day and late payment interest of 2%.

Allowances for doubtful debts are determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Provision for impairment is made through profit or loss in the statement of financial performance when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. The Group has not recognised an allowance for doubtful debts (2018: nil). Trade receivables are non-interest bearing and are generally on terms of 30-45 days.

Aged receivables past due but not impaired:

	2019 £	2018 £
30 – 90 days	1,420,680	2,654,035
91 – 120 days	-	3,480
120 days plus	8,406	-
	<u>1,429,086</u>	<u>2,657,515</u>

**CAPLIN GROUP LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2019 (Continued)**

**15. TRADE AND OTHER PAYABLES**

		<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
		<i>2019</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
		£	£	£	£
Trade creditors		245,969	-	210,409	-
Other tax and social security		202,073	-	301,899	-
Accruals		290,769	359	1,020,897	359
Other creditors		42,474	57	34,279	58
Contract liabilities	17	212,573	-	1,409,161	-
Lease liabilities	13	183,348	-	-	-
Current secured borrowings	16	116,746	-	-	-
		<u>1,293,952</u>	<u>416</u>	<u>2,976,645</u>	<u>417</u>

Trade creditors are stated at amortised cost, which approximates to fair value given the short term nature of these liabilities. Trading balances are all due within one year, unsecured and interest free.

**16. LOANS AND BORROWINGS**

<i>Group</i>	<i>Current</i>	<i>Non- Current</i>	<i>Total</i>
	£	£	£
Other borrowings	116,746	299,248	415,994
	<u>116,746</u>	<u>299,248</u>	<u>415,994</u>

The other borrowings are secured against the related assets that the borrowings financed.

**17. CONTRACT LIABILITY**

<i>Group</i>	<i>2019</i>	<i>2018</i>
	£	£
Contract liability	212,573	1,409,161
	<u>212,573</u>	<u>1,409,161</u>

The contract liability balance relates to the remaining amount of the transaction price allocated to a long-term professional services contract that is partially unsatisfied at 31 December. Management expects the balance at 31 December 2019 to be fully recognised in 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

Group and Company

*Financial risk*

The Group's multinational operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Group has a risk management program in place which seeks to limit the impact of these risks on the financial performance of the Group.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing the risk, and the Group's management of capital.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively.

(i) Credit risk

*Exposure to credit risk*

Credit risk arises from credit extended to customers and associates arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents and deposits with banks and financial institutions.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a large exposure to the financial services industry and the credit risk profile of the Group could be adversely affected by significant changes in that industry.

The Group has detailed procedures for assessing and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. The Group actively follows up on all overdue debtors. The aging profile and the details of the provision are given in note 13 to the financial statements.

*Financial instruments, cash and short term bank deposits*

Financial instruments, cash and short term bank deposits are invested with institutions with the highest credit rating with limits on amounts held with individual banks or institutions at any one time.

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end is the carrying value of the assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

It is the policy of the Group to have adequate committed undrawn facilities available at all times to cover unanticipated financing requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (Continued)

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	<i>Carrying value</i>	<i>No set maturity</i>	<i>Less than one year</i>	<i>One to five years</i>	<i>Over five years</i>
	£	£	£	£	£
Trade and other payables	1,293,953	-	1,293,953	-	-
Loans and borrowings	1,518,728	-	394,989	1,123,738	-
	<u>2,812,681</u>	<u>-</u>	<u>1,688,942</u>	<u>1,123,738</u>	<u>-</u>

## (iii) Market risk

Market risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, and interest rates. It will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising the return earned by the Group.

The Group has two types of market risk namely currency risk and interest rate risk each of which are dealt with as follows:

Currency risk

Foreign exchange risk arises from assets and liabilities denominated in foreign currencies. Management requires all Group companies to manage their foreign exchange risk against their functional currency.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue is denominated in a foreign currency and the Group's net investments in foreign subsidiaries. Overall the Group seeks to hedge its foreign exchange exposure by matching the income and liabilities in each currency and additionally financing any acquisitions of significant transactions in the currency of the acquired entity or acquired asset.

The Group's material exposures to foreign currency risk for amounts not denominated in the functional currency of the relevant entities at the balance sheet date were as follows:

	<i>AUD</i>	<i>EUR</i>	<i>USD</i>
	£	£	£
Cash and cash equivalents	1,771	2,771	3,583
Trade and other receivables	-	-	15,410
Gross balance sheet exposure	<u>1,771</u>	<u>2,771</u>	<u>18,993</u>

A 5% strengthening or weakening of the exchange rates in respect of the translation of amounts not denominated in the functional currency of relevant entities into the functional currency would impact on the profit before tax by the amounts shown below. This assumes that all other variables remain constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (Continued)

	AUD £	EUR £	USD £
Impact on profit before tax			
Impact of 5% strengthening	89	139	950
Impact of 5% weakening	(89)	(139)	(950)

*Fair values and levelling*

For all material categories of financial assets and liabilities the carrying amounts are reasonable approximations of fair values. Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 19. NET DEBT RECONCILIATION

<i>Net debt reconciliation</i>	<i>As at Dec 2019</i>	<i>As at Dec 2018</i>
Cash and cash equivalents	1,190,791	4,260,016
Other borrowings	(415,994)	-
Lease liabilities	(908,419)	-
<b>Net debt</b>	<b>(133,622)</b>	<b>4,260,016</b>

*Movement in net debt*

	<i>Liabilities from financing activities</i>	<i>Other assets</i>	
	<i>Other borrowings</i>	<i>Lease liabilities</i>	<i>Cash and cash equiv.</i>
	£	£	£
At 1 Jan 2019	-	-	4,260,016
Cashflows	(440,993)	-	(3,051,178)
Lease inception	-	(859,294)	-
Other changes	24,999	(49,125)	-
Net foreign exchange difference	-	-	(18,047)
<b>At 31 December 2019</b>	<b>(415,994)</b>	<b>(908,419)</b>	<b>1,190,791</b>
			<b>(133,622)</b>

Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 20. SHAREHOLDERS' FUNDS

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

<i>Allotted, called up and fully paid</i>	<i>2019 No.</i>	<i>2018 No.</i>	<i>2019 £</i>	<i>2018 £</i>
Ordinary shares of £0.0001 each	23,048,720	23,048,720	2,304	2,304
Series 'A' shares of £0.0001 each	1,579,229	1,579,229	158	158
Series 'B' preference shares of £0.0001 each	7,577,825	7,577,825	758	758
Series 'C' preference shares of £0.0001 each	100	100	-	-
	<u>32,205,874</u>	<u>32,205,874</u>	<u>3,220</u>	<u>3,220</u>

All shares rank pari passu apart from on a return of assets where the series 'B' preference shares will receive the first £2,000,000 and the following £2,491,543 split between the series 'A' preference shares and series 'C' preference shares, issued in the proportion of 80:20 respectively.

**CAPITAL MANAGEMENT**

For the purpose of the Group'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 Group's capital management is to maximise the shareholder value. The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans.

**SHARE PREMIUM ACCOUNT**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

## 21. CAPITAL COMMITMENTS

At 31 December 2019, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to nil (2018: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019 (Continued)

## 22. RELATED PARTY TRANSACTIONS

Key management personnel of the Group, being senior management and the directors of the entity, received the following remuneration:

	<i>Year ended Dec 2019</i>	<i>9 months to Dec 2018</i>
Salaries and other short-term employee benefits	644,622	418,560
Pension contributions	33,965	15,696
	<u>678,587</u>	<u>434,256</u>

The Group and Company has availed of the exemption provided in International Accounting Standard 24 "Related Party Disclosures" for wholly owned subsidiary undertakings from the requirements to give details of transactions with entities that are part of the Group or investees of the group qualifying as related parties.

## 23. PENSION COMMITMENTS

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge representing contributions payable by the Group to the schemes in 2019 amounted to £386,236 (2018: £200,464). Contributions payable to the fund at the year-end date amounted to £31,563 (2018: £34,218).

## 24. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The Company's immediate parent undertaking is Caplin Technologies Limited, a company registered in Ireland.

At 31 December 2019, the Company's ultimate parent entity undertaking is ION Private Equity Fund II Limited Partnership (an Irish Limited Partnership managed by ION Capital Management Limited).

The largest and smallest group in which the results of the Group are consolidated is that headed by Lab49 Consulting Holdings Limited, a company registered in Ireland. Consolidated accounts are available to the public and may be obtained from Companies Registration Office.

## 25. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

By the date of signing these financial statements, the COVID-19 pandemic had reached most continents since the initial outbreak in China at the end of 2019. Currently there is a growing concern about its impact on the global economy with a significant correction in the financial markets observed in the first quarter of 2020. Governments and global health agencies are making strong efforts to contain the virus spread and the Group's management continues to actively monitor the economic impact. These recent developments do not require any adjustment to these financial statements.

At present, the detailed impact of the pandemic on the Group is difficult to assess, however, the possible impact of the virus has been considered by the Board in their assessment of the Group's ability to continue as a going concern (see note 1 (c)).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2019 (Continued)**

**25. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE (Continued)**

The Group has enabled work from home capabilities for all employees via laptops, which is assisting in reducing the impact of office closures. Given the nature of the business, COVID-19 pandemic is not expected to have a material impact on the Group's performance. On 31 January 2020, the UK left the European Union and entered a transition period that will continue until 31 December 2020. No adjustment to these financial statements is required because of this.

**26. APPROVAL OF FINANCIAL STATEMENTS**

The Board of Directors approved and authorised for issue the financial statements in respect of the financial year ended 31 December 2019 on 4 September 2020.