

# EFRONT LTD

## REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



**EFRONT LTD**  
**COMPANY INFORMATION**

<b>Directors</b>	Mr Tarek Chouman Mr Matthew Bagley
<b>Secretary</b>	Mr Matthew Bagley
<b>Company number</b>	03650489
<b>Registered office</b>	5 <sup>th</sup> Floor 40 Strand London WC2N 5RW
<b>Auditors</b>	Ernst & Young LLP 1 More London Riverside London SE1 2AF
<b>Bankers</b>	HSBC plc 196 Oxford Street London W1A 1EZ

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**EFRONT LTD**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their strategic report for the year ended 31 December 2018.

**RESULTS AND DIVIDENDS**

The loss for the year amounted to £315,519 (2017 – profit £741,861).

There were no interim dividends paid in the period. The directors do not recommend a final dividend (2017 - £nil).

**PRINCIPAL ACTIVITIES**

The company is a software provider of solutions, developed by its parent company, dedicated to the financial services industry with recognised expertise in Alternative Investments and Risk Management. The company's main activities are the publication and distribution of software products and implementation consulting, training, integration and development services in respect of these products. eFront's solutions serve major companies in the Private Equity, Real-Estate Investment, Banking, and Insurance sectors.

**REVIEW OF THE BUSINESS**

The company's key financial and other performance indicators during the financial year were as follows:

	<b>2018</b>	<b>2017</b>	
	<b>£'000</b>	<b>£'000</b>	<b>Change</b>
Revenue	10 989	10 882	+1%
Gross profit	9 560	9 663	-1%
(Loss)/Profit after tax	(316)	742	-143%
Equity Shareholders funds	10 859	8 496	+28%
Average no. of employees	52	53	-2%

The company generated revenue of £11m in 2018, an increase of 1% compared with the prior year on a like for like basis.

Gross profit has increased as a result of the above revenue movement.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Identification and management of risk is an integral part of the day-to-day activities of the company.

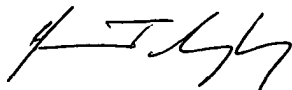
There are a number of potential risk factors which could have a material adverse financial effect on the business as well as on the value and liquidity of the company, some of which have been identified below although the list may not be exhaustive (see schedule below).

**EFRONT LTD**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

NATURE OF RISK	IMPACT	RISK REDUCTION MEASURES
The business undertaken does not generate sufficient margin	Negative impact on the business, financial position and cash flows	Business review process is conducted
Partial or total non-recovery of trade receivables	Negative impact on realisable and available assets, financial position, profit and cash flows	Weekly review process is conducted. Accounting teams dedicate time to monitor the collection of trade receivables and to ensure the efficiency of invoicing / recovery process
Legal and regulatory risk	Negative impact on the business, financial position and cash flows	The company endeavours to comply with laws and regulations with the help of financial, tax and legal advisors where necessary
Foreign exchange risk	Negative impact on realisable and available assets, financial position, profit and cash flows	Regular review and monitoring of foreign exchange rates. Most business transactions sought to be in functional currency of entity thereby reducing risk of adverse currency movements
Liquidity risk	Negative impact on the cost of credit	The company has set up an active management of its liquidity optimization process based on management of the cash surpluses.

This report was approved by the Board and signed on its behalf by:



Matthew Bagley  
Director

Date: 30<sup>th</sup> September 2019

**EFRONT LTD**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Directors**

Except as noted below, the following were directors of the company who served throughout the year and were still directors at the date of this report:

Mr Tarek Chouman (appointed 6 June 2018)  
Mr Matthew Bagley  
Mr Olivier Dellenbach (resigned 6 June 2018)

**Dividends**

There were no interim dividends paid in the period. The directors do not recommend a final dividend (2017 - £nil).

**Going Concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with eFront Holding SAS and fellow subsidiaries.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

**Post balance sheet events**

On the 10<sup>th</sup> of May 2019, BlackRock Inc completed the acquisition of the eFront Group and became the ultimate parent of the company.

**Future developments**

The company intends to continue operating in the areas of financial software, consolidating its positions in APAC region and to increase profitability.

**Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

**Employee involvement**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the company launched anonymous Employees Engagement Survey in order to receive their feedback and commitment. The participation rate was over 90% and results were shared in focus groups per department. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's annual bonus scheme.

**EFRONT LTD**  
**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Research and development**

Research and development effort focused on our new product "Insight", an intuitive platform centred on digitizing private market data exchanges and streamlining communications between General Partners and Limited Partners.

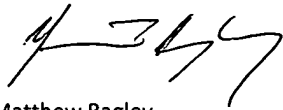
**Disclosure of information to auditors**

The directors who were members of the Board at the time of approving the Strategic Report and Directors' Report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirm that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



Matthew Bagley

Director

Date: 30<sup>th</sup> September 2019

**EFRONT LTD**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 – *Reduced Disclosure Framework*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.



**AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF eFRONT LTD**

**Opinion**

We have audited the financial statements of eFront Ltd for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

- 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.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**AUDITOR'S REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF eFRONT LTD (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of 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, and for such internal control as the directors 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.

**Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Andrew Davison (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London  
Date: *30<sup>th</sup> September 2019*

**EFRONT LTD**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

		31 December 2018	31 December 2017
	Notes	£	£
Revenue from contracts with customers		10 988 539	-
Revenue from rendering of services		-	10 881 776
<b>Revenue</b>	<b>2</b>	<b>10 988 539</b>	<b>10 881 776</b>
Cost of sales		(1 428 273)	(1 218 733)
<b>Gross profit</b>		<b>9 560 266</b>	<b>9 663 043</b>
Administrative expenses		(9 917 816)	(8 759 401)
<b>Operating profit / (loss)</b>	<b>3</b>	<b>(357 550)</b>	<b>903 642</b>
Other interest receivable and similar income	<b>6</b>	103 208	19 818
Interest payable and similar charges	<b>7</b>	(217 091)	(154 157)
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>(471 433)</b>	<b>769 303</b>
Tax on profit on ordinary activities	<b>8</b>	155 914	(27 442)
<b>Profit / (loss) for the year</b>		<b>(315 519)</b>	<b>741 861</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no items of other comprehensive income for the period or the preceding period, other than those included in the profit and loss account above and therefore no Other Comprehensive Income has been presented.

The notes on pages 11 to 27 form part of these financial statements.

**EFRONT LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Share premium	Retained earnings	Total equity
At 1 Jan 2018	6	6 884 430	1 612 019	8 496 455
Effect of adoption of new accounting standards (Note 1.4)	-	-	2 678 444	2 678 444
Profit for the financial year	-	-	(315 519)	(315 519)
At 31 December 2018	6	6 884 430	3 974 944	10 859 380

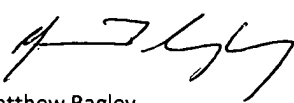
	Share capital	Share premium	Retained earnings	SBP reserves	Total equity
At 1 Jan 2017	6	6 884 430	870 158	101 500	7 856 094
Share based payments	-	-	-	(101 500)	(101 500)
Profit for the financial year	-	-	741 861	-	741 861
At 31 December 2017	6	6 884 430	1 612 019	-	8 496 455

**EFRONT LTD**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

		31 December 2018	31 December 2017
	Notes	£	£
<b>Non-current assets</b>			
Tangible assets	9	117 175	112 833
Other financial assets		-	566 877
Investments	10	6 885 059	6 885 059
Deferred Tax Asset		218 614	153 559
		<b>7 220 848</b>	<b>7 718 328</b>
<b>Current assets</b>			
Debtors	11	20 741 465	19 589 089
Contract Assets	11	1 626 164	-
Other financial assets		1 666 860	-
Deferred Tax Asset		-	-
Cash at bank and in hand		1 341 798	925 073
		<b>25 376 287</b>	<b>20 514 162</b>
<b>TOTAL ASSETS</b>		<b>32 597 135</b>	<b>28 232 490</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	11 052 424	11 950 569
Contract Liabilities	12	2 531 383	-
Deferred Tax Liability		-	-
		<b>13 583 807</b>	<b>11 950 569</b>
<b>Non-current liabilities</b>			
Creditors: amounts falling due after one year	12	8 153 948	7 785 467
		<b>8 153 948</b>	<b>7 785 467</b>
<b>NET ASSETS</b>		<b>10 859 380</b>	<b>8 496 455</b>
<b>Capital reserves</b>			
Called up share capital	15	6	6
Share Premium		6 884 430	6 884 430
Profit and loss account		3 974 944	1 612 019
<b>Shareholders' funds</b>		<b>10 859 380</b>	<b>8 496 455</b>

The notes on pages 11 to 27 form part of these financial statements

Approved by the Board and authorised for the issue on 30<sup>th</sup> of September 2019.

  
Matthew Bagley  
Director

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting Policies**

**1.1 Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of eFront Ltd (the 'Company') for the year ended 31 December 2018 were authorised for issue by the board of directors on 26<sup>th</sup> of September 2019 and the balance sheet was signed on the board's behalf by Matthew Bagley. eFront Ltd is incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in pounds sterling.

**1.2 Basis of preparation**

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- presentation of financial statements, accounting policies, changes in accounting estimates and errors, financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, share based payments, impairment of assets, related party transactions, revenue from contracts with customers and standards not yet effective.

The company is exempt from preparing group financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the company and not its Group. eFront Holding SAS (France) the parent company publishes consolidated financial statements which includes the cash flows of the company. The company has therefore taken advantage of the exemption granted by Financial Reporting Standard 101 – 'Reduced Disclosure Framework', to not present a cash flow statement.

Where relevant, equivalent disclosures have been given in the group consolidated accounts of eFront Holding SAS (France). The group consolidated financial statements are available to the public and can be obtained as set out in note 19.

The principal accounting policies adopted are set out under the notes below.

**1.3 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:

**Operating lease commitments**

The company has entered into operating leases. The classification of such leases as operating or finance lease requires management to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting Policies (continued)**

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

**Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

**1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 prescribes the principles to be used in accounting for revenue from contracts with customers. It replaces previous standards and interpretations on revenue recognition, particularly IAS 18 "Revenue". IFRS 15 introduces a single, five-step framework to be used to determine the timing and amount of revenue to be recognized under a given contract. It includes application guidance, namely for licenses, and specific provisions setting out the basis for capitalising the costs of obtaining and fulfilling a contract which are not dealt with in other standards.

Revenue recognition is based on:

- Identifying contracts with customers

The different criteria and enforceable obligations have been analysed and meet the definition given by IFRS 15. As the company frequently enters into several contracts with a given customer, these contracts are treated as a single contract for accounting purposes, when they are signed at fairly close intervals and are related from a business perspective.

- Identifying the performance obligations in the contract

Based on an analysis of its contracts, the company identified four separate performance obligations: the right to use the license (i), the deployment of the solution (ii), support and maintenance (iii) and hosting (iv).

A description of each of these performance obligations is provided in the paragraph on revenue.

- Determining the transaction price

The transaction price for installation and hosting fees is determined separately in accordance with the respective contracts.

However, support and maintenance services are not covered in a separate initial contract and are combined with the cost of the license. The paragraph below describes how the company determines the price of support and maintenance services.

Most of the company's annual licences have a fixed term of three years. A small number have a fixed term of five years. In light of the payment terms under this type of contract (payments due yearly), the three-year contracts do not contain a significant financing component, unlike the five-year contracts. This financing component was measured and recorded in financial income in the income statement.

- Allocating the transaction price to the different performance obligations

The transaction price of the performance obligation comprising implementation and hosting services is defined on a contract-by-contract basis.

In contrast, maintenance and support services are not separated from the price of the license and their price must therefore be determined.

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 Accounting Policies (continued)**

**1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers" (continued)**

Estimating the transaction price of the license component and the maintenance/support services requires management to exercise judgement and was determined on the basis of both:

- o the stand-alone transaction price identified when the maintenance and support contracts are renewed within the scope of the perpetual license; and
- o incremental costs.

- Recognising revenue when the performance obligations are satisfied

The company has adopted the modified retrospective method for its transition to IFRS 15. Accordingly, it presents the impacts of IFRS 15 in its financial statements in the opening reserves.

The main change concerns the recognition of revenue under annual licenses, which was previously recognized on a straight-line basis over the contractual term. Pursuant to the criteria introduced by IFRS 15, revenue relating to the license component is recognized when control of the license is transferred to the customer.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS11, IAS 18 and related Interpretations.

The effect of adopting IFRS 15 as at 1<sup>st</sup> January 2018 was, as follows:

	<u>Increase/(decrease)</u>
<b>Assets</b>	
Contract Assets	2 364 808
<b>Liabilities</b>	
Contract Liabilities	941 913
Deferred tax liabilities	(628 277)
<b>Equity</b>	
Profit and loss account	<u>(2 678 444)</u>



**EFRONT LTD**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 Accounting Policies (continued)**

**1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers" (continued)**

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15.

	IFRS 15	Previous IFRS	Increase/(decrease)
Revenue from contracts with customers	10 988 539	-	10 988 539
Revenue from rendering of services	-	11 454 246	(11 454 246)
<b>Revenue</b>	<b>10 988 539</b>	<b>11 454 246</b>	<b>(465 707)</b>
<b>Gross profit</b>	<b>9 560 266</b>	<b>10 025 973</b>	<b>(465 707)</b>
<b>Operating profit / (loss)</b>	<b>(357 550)</b>	<b>108 157</b>	<b>(465 707)</b>
Other interest receivable and similar income	103 208	54 902	48 306
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>(471 433)</b>	<b>(54 032)</b>	<b>(417 401)</b>
<b>Tax on profit on ordinary activities</b>	<b>155 914</b>	<b>235 220</b>	<b>(79 306)</b>
<b>Profit / (loss) for the year</b>	<b>(315 519)</b>	<b>181 188</b>	<b>(496 707)</b>
	<b>IFRS 15</b>	<b>Previous IFRS</b>	<b>Increase/(decrease)</b>
<b>Assets</b>			
Contract Assets	1 626 164	2 434 932	(808 768)
<b>Liabilities</b>			
Contract Liabilities	2 531 383	2 140 015	391 368
Creditors: amounts falling due within one year	8 153 948	8 233 254	(79 306)
<b>Equity</b>			
Profit and loss account	4 254 833	3 758 126	496 707

**Revenue**

Revenue is derived from the sale or license of software products and of maintenance, subscription, consulting, development, training, and other services.

Under IFRS 15, revenue is recognised when it is probable that future economic benefits will flow to the company and the revenue can be measured reliably, regardless of when payment is made. Full allowance is made for all known or expected losses.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting Policies (continued)**

**1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers" (continued)**

The company has identified different performance obligations for each category of revenue. Licenses are operational when the access rights are granted, without the related implementation, maintenance or hosting services, for which customers can sign up at a later date.

Accordingly, these services are not considered essential to the functionality of the software and are therefore classified as a separate performance obligation. All of these services can be rendered by third-party providers.

**License revenue**

If contractual obligations do not involve significant production, modification, or customisation of software, revenue is recognised in line with the requirements for selling goods stated in IFRS 15 "Revenue from Contracts with Customers" when evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue and associated costs can be measured reliably, and collection of the related receivable is reasonably assured.

The Company provides software access rights to its customers via a secure download link. The license subscription period begins as soon as customers' access rights are granted. Revenue from software licenses is recognized when control is transferred to the customer.

When the license involves a specific development, modification, or customisation of the software products and the services cannot be performed by third-party providers, which may compromise the client's acceptance of the goods supplied or services rendered, revenue is recognised using the stage-of-completion method based on contract costs incurred to date as a percentage of total estimated costs required to complete the work.

**Service revenue (integration and implementation)**

Services chiefly relate to implementation, integration and training. These services do not generally require significant modification or customisation of the software products and are therefore accounted for separately from the license.

As the performance obligation relating to the service provided is satisfied over time, the related revenue is also recognized over time, as and when the service is provided.

When considerations are received before the services are performed, deferred revenue is recorded. Deferred revenue represents amounts invoiced to customers for goods and services not yet supplied or rendered.

When the services are rendered prior to billing the client, accrued revenue is then recorded according to progress. Accrued revenue represents amounts recognised as revenue to be invoiced in a future period.

**Support/hosting and maintenance revenue**

Support and maintenance services consist of telephone or email assistance and unspecified product upgrades. Upgrades cannot be considered as essential to the use of the software, which does not require frequent updates in order to function.

## EFront LTD

The Company's customers can choose to have the Company host the software on internal servers or to host the software themselves, without this affecting the software's performance. Customers can freely cancel or sign up to hosting services without changing the license subscription contract.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1 Accounting Policies (continued)

##### 1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers" (continued)

These services lead the company to recognise deferred income that is calculated based on the amount billed (excluding VAT) that is related to the next period.

##### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset is expected useful life, as follows:

Leasehold improvements	Over the term of the lease
Plant and machinery	10% straight line
Fixtures, fittings & equipment	20% straight line
Office equipment	33% straight line

##### 1.6 Operating leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

##### 1.7 Investments

Fixed asset investments are stated at a cost less provision for any diminution in value.

##### 1.8 Pensions

The company makes defined contributions into its employees' private pension schemes. Contributions payable are charged to the profit and loss account in the year they are payable.

##### 1.9 Deferred taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax liability is generally recognised in respect of existing taxable temporary differences, except for exemptions set by IAS 12.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1 Accounting Policies (continued)**

**1.10 Foreign currency translation**

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions and balances in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**1.11 Group financial statements**

The company is exempt from preparing Group financial statements under Section 400 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking and the group's financial statements are publicly available (see note 19). Accordingly, these financial statements present information about the company and not its Group.

**1.12 Impairment of non-financial assets**

The company 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 company 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's fair value less costs to sell and its value in use and is determined for an individual asset, 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 on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

**1.13 Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 Accounting Policies (continued)**

**1.4 Impact of the application of IFRS 15 "Revenue from Contracts with Customers" (continued)**

irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

**1.13 Share-based payments**

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. Intragroup recharge levied by the parent company in respect of the share based payments is charged to share based payment reserve.

**1.14 Impact of the application of IFRS 9 "Financial Instruments"**

IFRS 9 changes the recognition of credit risk on financial assets, which is now based on expected rather than incurred losses. No material impact has been identified in relation to the absence of significant impairment losses recognised against trade receivables in previous periods.

**2 Revenue**

Geographical market	2018	2017
	£	£
UK	5 980 779	3 121 403
Europe	4 491 801	7 040 561
Rest of the World	515 959	719 812
	<u>10 988 539</u>	<u>10 881 776</u>

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**3 Operating profit**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	54 303	53 349
Loss on foreign exchange transactions	364 882	379 857
Operating lease rentals	320 961	442 194
Auditors' remuneration	36 000	35 000
R&D expense	873 942	982 359

**4 Directors' emoluments**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	445 723	423 647
Company pension contributions to money purchase schemes	10 212	8 600
	<u>455 935</u>	<u>432 247</u>
Number of directors who received shares in respect of qualifying services	1	1
In respect of the highest paid director:		
Emoluments for qualifying services	445 723	423 647
Company pension contributions to money purchase schemes	10 212	8 600
	<u>455 935</u>	<u>432 247</u>

The highest paid director received shares under the group's Management Incentive Plan.

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5 Employees**

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

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Office and Management	<u>52</u>	<u>53</u>

**Employment costs**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	6 210 048	4 709 589
Social security costs	570 599	482 426
Other pension costs	183 278	157 573
	<u>6 963 925</u>	<u>5 349 588</u>

**6 Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest receivable from group undertakings	54 902	19 818
Financing component	48 306	0
	<u>103 208</u>	<u>19 818</u>

**7 Interest payable**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
On amounts payable to group undertakings	217 091	154 157
	<u>217 091</u>	<u>154 157</u>

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8 Taxation**

	2018	2017
<i>(a) Tax charged in the income statement</i>		
	£	£
Current income tax:		
UK corporation tax	602 942	81 952
Withholding tax	-	151 561
Tax (over)/under provided in previous years	<u>(65 524)</u>	<u>(49 378)</u>
	537 418	184 135
Deferred tax:		
Origination and reversal of temporary differences	(693 332)	(156 693)
Total deferred tax	<u>(693 332)</u>	<u>(156 693)</u>
Tax (credit) / expense in the income statement	<u><u>(155 914)</u></u>	<u><u>27 442</u></u>

*(b) Reconciliation of the total tax charge:*

	2018	2017
	£	£
Accounting profit / loss before income tax	<u>(471 433)</u>	<u>769 303</u>
Tax calculated at UK standard		
Rate of UK corporation tax of 19% (19.25% for 2017)	<u>(89 572)</u>	<u>148 091</u>
Expenses not tax deductible for tax purposes	1 955	9 751
Prior year adjustment	(65 524)	(205 070)
Tax rate changes	(2 773)	132
R&D tax relief	-	(61 000)
Foreign income	-	(16 023)
Withholding tax	-	151 561
Total tax (credit) / expense	<u><u>(155 914)</u></u>	<u><u>27 442</u></u>



**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**8 Taxation (continued)**

*(c) Change in Corporation Tax rate*

The UK corporation tax rate was reduced from 21% to 20% effective 1 April 2015. Further reductions to the corporation tax rate to 19% apply from 1 April 2017 and 17% from 1 April 2020.

*(d) Deferred tax*

The deferred tax included in the balance sheet is as follows:

	2018 £	2017 £
<i>Deferred tax liability</i>		
Accelerated capital allowances	(16 521)	(15 045)
	<u>(16 521)</u>	<u>(15 045)</u>
<i>Deferred tax asset</i>		
Tax loss	142 667	142 667
Other short-term timing differences	75 468	25 937
Unpaid bonuses	17 000	-
<i>Deferred tax asset</i>	<u>235 135</u>	<u>168 604</u>

Other short-term timing differences relate to MIP, an equity-settled share-based payment scheme. The costs are tax allowed when share options are exercised.

*Disclosed on the balance sheet*

Deferred tax asset	218 614	153 559
	<u>218 614</u>	<u>153 559</u>

	2018	2017
<i>Deferred tax in the income statement</i>		
Accelerated capital allowances	(1 476)	(11 911)
Accounting policy change (IFRS15 impact)	628 277	
Recognized capital loss	-	142 667
Unpaid bonuses	17 000	
Other short-term timing differences (MIP)	49 531	25 937
Deferred tax credit/(expense)	<u>693 332</u>	<u>156,693</u>

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**9 Tangible fixed assets**

	Leasehold improvements	Fixtures, fittings & equipment	Office equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2018	111 226	21 049	136 239	268 514
Disposals	0	0	0	0
Additions	0	0	58 788	58 788
At 31 December 2018	<u>111 226</u>	<u>21 049</u>	<u>195 027</u>	<u>327 302</u>
<b>Depreciation</b>				
At 1 January 2018	32 743	16 097	106 841	155 681
Disposals	0	0	0	0
Charge for the year	22 245	2 356	29 845	54 447
At 31 December 2018	<u>54 988</u>	<u>18 453</u>	<u>136 686</u>	<u>210 127</u>
<b>Net book value</b>				
At 31 December 2018	<u>56 238</u>	<u>2 596</u>	<u>58 341</u>	<u>117 175</u>
At 31 December 2017	<u>78 483</u>	<u>4 952</u>	<u>29 398</u>	<u>112 833</u>

**10 Fixed asset investment**

	2018 Unlisted £	2017 Unlisted £
<b>Cost:</b>		
At 1 January	6 885 059	6 885 059
Additions	-	-
Disposals	-	-
At 31 December	<u>6 885 059</u>	<u>6 885 059</u>
<b>Amounts provided:</b>		
At 31 December	-	-
Net book value	<u>6 885 059</u>	<u>6 885 059</u>

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**10 Fixed asset investment (continued)**

Company	Country of registration or incorporation	Address	Class	Shares held	%
<b>Subsidiary undertakings</b>					
eFront (Jersey) Limited	Jersey	Olton House, 11/13 New Street, St Helier JE 3RA, Jersey	Ordinary	100	100
eFront Hong Kong Limited	Hong Kong	8/F Two exchange square 8, Connaught place, Central / Hong Kong	Ordinary	10	100
eFront Beijing Limited	China	Room 040, 16th floor, building 8, No 91 Jinguo Road, Chaoyang district, Beijing, China	Ordinary	1	100
eFront FZ LLC	Dubai	Suite 2410, Al Shatha Tower, DUBAI, United Arab Emirates	Ordinary	50	100
eFront Singapore Pte Limited	Singapore	Ocean Financial Center, Level 40, 10 Collyer Quay, 049315 Singapore	Ordinary	1	100
eFront KK	Japan	Marunouchi Yusen Building, Level 1 Yusen Building, 2-3-2 Marunouchi 2 Chome-3 Marunouchi Chiyoda, Tokyo, 100-0005, Japan	Ordinary	400	100

**11 Debtors**

	2018	2017
	£	£
Trade debtors	1 271 609	1 044 477
Amounts owed by group undertakings	17 655 853	13 619 385
Other debtors	1 503 930	226 559
Prepayment	310 074	4 698 668
Contract Assets	1 626 164	-
	<u>22 367 629</u>	<u>19 589 089</u>

**12 Creditors: amounts falling due within one year**

Trade creditors are non-interest bearing and are normally settled on 30 days terms. Amounts owed to group undertakings are settled upon demand and are interest bearing at a spread above Euribor, Libor and US AFR dependent upon the jurisdiction of the applicable group undertaking. Other creditors are non-interest bearing and have an average term of six months.

	2018	2017
	£	£
Trade creditors	688 726	307 030
Amounts owed to group undertakings	7 053 606	7 265 520
Corporation tax	506 141	31 945
Other taxes and social security costs	999 099	400 061
Other creditors	1 657	-
Accruals	1 803 194	3 946 013
Contract Liabilities	2 531 383	-
	<u>13 583 807</u>	<u>11 950 569</u>

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**Creditors: amounts falling due after one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	8 153 948	7 785 467
	<u>8 153 948</u>	<u>7 785 467</u>

A credit facility agreement was signed between the company and the Group in order to receive line of credit for the purpose of financing a portion of its operations. The outstanding balance including all the accrued interest shall be repaid to the lender according to the terms of the contract schedule (from 2 to 4 years). The interest rates charged are in accordance with safe harbour rules plus a margin of 0.25%.

**13 Deferred Tax Asset / (Liability)**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Balance at 1 January 2018	153 559	(3 134)
Credit for the year	65 055	156 693
Balance at 31 December 2018	<u>218 614</u>	<u>153 559</u>

**14 Pension**

**Defined contribution**

The company makes defined contributions into its employees' private pension schemes. The pension cost charge represents contributions payable by the company. Total pension contributions paid during the year were £183,278 (2017: £157,573).

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**15 Called up share capital and share premium**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Authorised, Allotted, called up and fully paid:</b>		
Ordinary shares of 1p each	6	6
	<u>6</u>	<u>6</u>
	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
<b>Authorised, Allotted, called up and fully paid:</b>		
Ordinary shares of 1p each	555	555
	<u>555</u>	<u>555</u>
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Share premium</b>	6 884 430	6 884 430
	<u>6 884 430</u>	<u>6 884 430</u>

**16 Operating lease commitments**

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Not later than one year	415 816	410 711
Later than one year and not later than five years	640 242	1 020 728
	<u>1 056 058</u>	<u>1 431 439</u>

The company has entered into commercial property leases as lessee for a period from 15th of June 2016 to 14th of July 2021.

**17 Related party transactions**

At 31st December 2018, the outstanding balance of loan granted to Matthew Bagley, a director of the company, was £422,104 (2017 – £321,875). Interest on the principal balance is applied at a rate of 3% per annum or such other rate as is specified by HMRC as the “official rate”.

**18 Shared based payments**

The company’s parent, Efront Holding SAS operates a group wide share based management incentive plan for employees of the group, including employees of the company.

At 31 December 2018, the main features of the plan are as follows:

- the plan is equity-settled within the meaning of IFRS 2, particularly since the liquidity clauses are incumbent on the Group’s majority shareholder, Bridgepoint;
- the beneficiaries’ shares vest over a period of four years subject to the beneficiaries’ continuing service with the group.

**EFRONT LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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- the fair value of the plan related to the company's employees is estimated at £393,050. In accordance with IFRS 2, the fair value will be recognised in income over the vesting period. The share-based payment expense recognised in accordance with IFRS 2 was estimated at £291,678 for 2018.

**19 Controlling parties**

The immediate parent undertaking at 31 December 2018 is eFront Holding SAS (France).

The consolidated financial statements of eFront Holding SAS (France) comprise the largest group of which the company is a member that prepares consolidated financial statements. The consolidated financial statements for eFront Holding SAS (France) can be obtained from 2-4 Rue Louis David, 75116, Paris, France.

eFront Ltd's ultimate parent is Bridgepoint Europe IV Investments S.a.r.l (incorporated in Luxembourg), which owns via European PE Administrators S.a.r.l. the majority of the Group. The group's ultimate controlling party is the Bridgepoint Europe IV Fund, which is managed by Bridgepoint Advisors Limited.

On the 10<sup>th</sup> of May 2019, BlackRock Inc completed the acquisition of the eFront Group and became the ultimate parent of the company.