

Registered number: 4373530

SCISYS UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



Scisys UK Limited
Company Information

Directors	Darryl Eades Neil Geoffrey Timms Tara McGeehan Francois Boulanger
Company secretary	Sarah Landry Maltais
Registered number	4373530
Registered office	No 2 Methuen Park Chippenham Wiltshire SN14 OGB
Independent auditors	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX

Scisys UK Limited

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Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Strategic Report

Introduction

The directors present their strategic report for the year ended 31 December 2019.

The business undertaken by the Company throughout the year included:

- Consulting - providing a full range of IT and management consulting services, including IT strategic planning, business process engineering and system architecture;
- System integration - integrate and customise leading technologies and software applications to create IT systems that respond to clients' strategic needs;
- Management of IT and business functions (Outsourcing) - development and integration of new projects and applications, applications maintenance and support, technology infrastructure management, transaction and business processing and document management services.

On 18 December 2019, CGI Group Holdings Europe Limited, acquired the Scisys Group PLC including Scisys UK Limited. At 31 December 2019 the Company's ultimate parent undertaking and controlling party is CGI Inc (the "Group"), a company incorporated in Canada and is listed on the Toronto Stock Exchange and New York Stock Exchange.

Subsequent events

For the financial statements for the year ended December 31 2019, the Company assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on its balance sheet carrying amounts and as part of the Company's going concern assessment. Whilst the directors have assessed the company's standalone position to be continuing as a going concern, it has gained additional assurances from CGI Group Holdings Europe Limited, an intermediate parent entity, that it will provide support for at least 12 months from the date the accounts have been signed.

The UK left the EU on 31 January 2020 with the transition ended on 31 December 2020. The rules governing the new relationship between the EU and UK took effect on 1 January 2021. It has not yet been possible to fully assess the impact of the UK leaving the EU on the company and its operations.

During the financial years to 31 December 2020 and the period ended 30 April 2021, a number of contracts have been novated to CGI IT UK Limited.

Financial key performance indicators

Loss after tax for the year was £5,427,000 (2018: profit after tax £3,294,000). The Company's other key financial performance indicators during the year were as follows:

	2019	2018
	£000	£000
Revenue	23,702	25,957
Operating (loss)/profit	(5,420)	3,285
(Loss)/profit before tax	(5,427)	3,294
Net assets	4,626	10,756

During the year to 31 December 2019, there was a detailed review of larger projects which identified a change in the estimated duration and projected costs of projects. This resulted in an adjustment to revenue of £2,703,000 and loss provision of £3,538,000 being recognised in the year. The impact of this review has driven the overall reduction in revenue of 9% approximately in the year to 31 December 2019 compared to the prior year.

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Strategic Report (Continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. From the perspective of the Company and following the acquisition by CGI in December 2019, the principal risks and uncertainties are integrated with the principal risks of the group headed by CGI Inc. and are not managed separately.

The principal financial risks that the Company is exposed to are foreign currency exchange rate risk and credit risk. The Company's policy with respect to managing these risks are set out below.

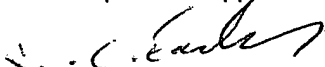
Foreign exchange risk

The foreign exchange risk associated with the loans to and from group undertakings is monitored centrally by the CGI Inc. treasury team and any significant exposures are hedged externally at an aggregated basis for the group.

Credit risk

The credit risk associated to the loans is considered to be minimal as the counter parties are all within a common group which is supported by CGI Inc., the ultimate parent company.

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



D. Eades
Director

Date: 20th May 2021

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Directors' report

The directors present their report and the audited accounts for the year ended 31 December 2019.

Principal activities

The principal activity of the business is the delivery of professional software services and the design and build of systems incorporating third party packaged software.

Results and dividends

Revenue was £23,702,000 (2018: £25,957,000) and operating loss was £5,420,000 (2018: operating profit of £3,285,000). The Company made a loss after tax for the year of £5,427,000 (2018: profit after tax of £3,294,000). The decrease in revenue and profit after tax in the year 2019 from the year 2018 is largely due to the change in estimates related to the project duration and probability of profitability in the contracts, as a result, revenue reduced by £2,703,000 and provision for loss on revenue was increased by £3,538,000.

No dividends were paid or proposed in respect of the current year (2018: £nil)

Directors

The directors who held office during the year were as follows:

D. Eades	(appointed 23 October 2020)
S. Brignall	(resigned 18 December 2019)
C. Cheetham	(resigned 18 December 2019)
D. Gawthorpe	(resigned 18 December 2019)
F. Mohammed	(appointed 18 December 2019, resigned 23 October 2020)
F. Boulanger	(appointed 18 December 2019)
N. Timms	(appointed 18 December 2019)
T. McGeehan	(appointed 18 December 2019)

Going concern

The Company is expected to generate positive cash flows on its own account for the foreseeable future and benefits from the support of other Group companies if required. The Company has a portfolio of long-term contracts across a wide variety of markets. As a consequence, the directors believe that the Company is well placed to manage its business risks.

For the financial statements for the year ended December 31 2019, the Company assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on its balance sheet carrying amounts and as part of the Company's going concern assessment. Whilst the directors have assessed the company's standalone position to be continuing as a going concern, it has gained additional assurances from CGI Group Holdings Europe Limited, an intermediate parent entity, that it will provide support for at least 12 months from the date the accounts have been signed.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, of the Company as at the end of the financial year, and the profit or loss for the Company for the financial year, and otherwise comply with the Companies Act 2006.

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Directors' report (Continued)

Directors' responsibilities statement (continued)

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

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- For the financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Under applicable law, the Directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Research and development activities

Research and development activities during the period included both collaborative projects with other commercial and government organisations and the development of the Company's range of software products.

Environmental matters

All UK companies within the CGI group understand that growth must not come at the expense of the communities where we do business or of the environment in general. This is why the Company is committed to contributing to the protection of the environment and will strive to become carbon neutral as a business through responsible and environmentally oriented operating practices. The Company's commitment to the continual improvement of reduction in energy consumption and CO2 emissions and eliminated single use plastics and consumables from our office environment. The Company continues to meet applicable regulations.

Community involvement

At Scisys, we are passionate about the communities in which we live and work. We take the skills required to be a leading IT services company—problem solving, creativity and dedication, and put them to work to make a positive difference.

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Directors' report (Continued)

Employee involvement

There is close consultation between members and management on matters of mutual interest and information is disseminated through divisional, country and global communications as well as via individual performance reviews, team briefings and in-house newsletters. Scisys UK Limited employees also benefit from the CGI IT UK Employee Council which was established as a means of consulting and communicating corporate changes and organisational transformation for the members. The Employee Council has been set up under the voluntary arrangements in the EU Directives on European Works Councils.

Our human resources program allows us to attract and retain the best talent as it provides competitive compensation and benefits, a favourable working environment, training programs and career development opportunities. Employee satisfaction is monitored annually through a Company-wide survey. The majority of our consultants and professionals are owners of CGI through our Share Purchase Plan which, along with the Profit Participation Plan, allow them to share Company successes, further aligning stakeholders' interests.

Disabled employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all members, irrespective of sex, sexual orientation, race, colour, origin, religion, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Qualifying third party indemnity provisions

The Company maintains insurance cover for all directors and officers against liabilities which may be incurred by them while acting as directors and officers. This insurance was in place during the year to 31 December 2019 and at the date of approval of the financial statements. Copies of the qualifying third-party indemnities are kept at our registered office and are open for inspection to any member.

Future developments

For the financial statements for the year ended December 31 2019, the Company assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on its balance sheet carrying amounts and as part of the Company's going concern assessment. Whilst the directors have assessed the company's standalone position to be continuing as a going concern, it has gained additional assurances from CGI Group Holdings Europe Limited, an intermediate parent entity, that it will provide support for at least 12 months from the date the accounts have been signed.

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During the financial years to 31 December 2020 and the period ended 30 April 2021, a number of contracts have been novated to CGI IT UK Limited.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Scisys UK Limited

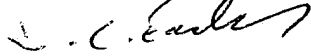
Annual report and financial statements for the year ended 31 December 2019

Directors' report (Continued)

Independent auditors

Ernst & Young LLP are expected to resign following the signature of the Financial Statements.

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



D. Eades
Director

Date: 20th May 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCISYS UK LIMITED

Opinion

We have audited the financial statements of Scisys UK Limited for the year ended 31 December 2019 which comprise the Income Statement, Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. 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 2019 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 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 strategic report and the directors' 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCISYS UK LIMITED (Continued)

Other information (continued)

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.

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 directors' 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 pages 3 and 4, 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

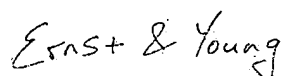
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCISYS UK LIMITED (continued)

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.



Brian Lenihan (Senior statutory auditor)
For and on behalf of Ernst & Young, Statutory Auditor
Dublin

Date: 21 May 2021

Scisys UK Limited**Annual report and financial statements for the year ended 31 December 2019****Income statement**

	Note	2019 £'000	2018 £'000
Revenue	4	23,702	25,957
Staff costs	5	(17,913)	(16,244)
Depreciation	6	(579)	(309)
Other operating expenses		(10,630)	(6,119)
		(29,122)	(22,672)
Operating (loss)/ profit	6	(5,420)	3,285
Interest payable and similar expenses		(7)	(2)
Interest receivable		-	11
(Loss)/profit before taxation		(5,427)	3,294
Tax on (loss)/ profit	7	-	-
(Loss)/profit for the year attributable to equity holders of the parent		(5,427)	3,294

The results in both years arose from continuing operations.

There were no recognised gains or losses in either year other than those reflected in the Income Statement.

The notes on pages 13 to 33 form an integral part of these financial statements.

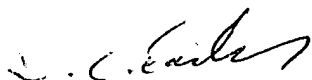
Scisys UK Limited**Annual report and financial statements for the year ended 31 December 2019****Statement of financial position**

Registered number: 4373530

	Note	£'000	2019 £'000	2018 £'000
Fixed assets				
Tangible assets	8		1,426	1,442
Right-of-use assets*	9		177	-
			1,603	1,442
Current assets				
Debtors	10	16,020		12,485
Cash at bank and in hand		2,239		2,561
		18,259		15,046
Current liabilities				
Creditors: amounts falling due within one year	11	(11,461)		(5,655)
Deferred income	13	(77)		(77)
		(11,538)		(5,732)
Net current assets			6,721	9,314
Total assets less current liabilities			8,324	10,756
Creditors: amount falling due after one year	15		(160)	-
Provisions	14	(3,538)		-
			(3,538)	-
Net assets			4,626	10,756
Capital and reserves				
Called-up share capital	17		3,000	3,000
Profit and loss account			1,626	7,756
Shareholders' funds			4,626	10,756

* The Company has applied IFRS 16 effective 1 January 2019, using the modified retrospective approach—see note 23.

The accounts were approved by the Board of Directors on 20th May 2021 and were signed on its behalf by:



D. Eades
Director

Date: 20 May 2021

The notes on pages 13 to 33 form an integral part of these financial statements.

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Statement of changes in equity

	Called up share capital	Profit and loss account	Total equity
2019	£'000	£'000	£'000
Balance at 31 December 2018	3,000	7,756	10,756
Effect of adoption of IFRS 16: Leases (note 23)	-	(21)	(21)
Adjusted balance at 1 January 2019	3,000	7,735	10,735
Total comprehensive income for the period			
Loss for the year	-	(5,427)	(5,427)
Unvested options recognized on accelerated basis	-	409	409
Options cancelled and settled during the year	-	(1,091)	(1,091)
Equity-settled share-based payment transactions	-	-	-
Balance at 31 December 2019	3,000	1,626	4,626

	Called up share capital	Profit and loss account	Total equity
2018	£'000	£'000	£'000
Balance at 1 January 2018	3,000	4,444	7,444
Total comprehensive income for the period			
Profit for the year	-	3,294	3,294
Equity-settled share-based payment transactions	-	18	18
Balance at 31 December 2018	3,000	7,756	10,756

The notes on pages 13 to 33 form an integral part of these financial statements.

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with FRS

The financial statements on pages 10 to 33 were approved by the board of directors on _____ and the balance sheet was signed on the board's behalf by Darryl Eades. Scisys UK Limited is a private company limited by shares, incorporated and domiciled in England and Wales.

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 has used a true and fair view override in respect of the non-amortisation of goodwill. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3). The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes Accounting Estimates and Errors.

2.3 Going Concern

The Company is expected to generate positive cash flows on its own account for the foreseeable future and benefits from the support of other Group companies if required. The Company has a portfolio of long-term contracts across a wide variety of markets. As a consequence, the directors believe that the Company is well placed to manage its business risks.

For the financial statements for the year ended December 31 2019, the Company assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on its balance sheet carrying amounts and as part of the Company's going concern assessment. Whilst the directors have assessed the company's standalone position to be continuing as a going concern, it has gained additional assurances from CGI Group Holdings Europe Limited, an intermediate parent entity, that it will provide support for at least 12 months from the date the accounts have been signed.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

Company adopted IFRS 16 using the modified retrospective method and applied with no restatement of comparative figures. The effect of adoption has been disclosed in note 23.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

2.6 Revenue

The Company generates revenue through the provision of managed IT and BPS, systems integration and consulting, as well as the sale of software solutions.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company accounts for a contract or a group of contracts when the following criteria are met: the parties to the contract have approved the contract in which their rights, their obligations and the payment terms have been identified, the contract has commercial substance, and the collectability of the consideration is probable.

A contract modification is a change in the scope or price of an existing revenue-generating customer contract. The Company accounts for a contract modification as a separate contract when the scope of the contract increases because of the addition of promised performance obligations and the price of the contract increases by an amount of consideration that reflects its standalone selling prices. When the contract is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on the existing contract on a cumulative catch-up basis as at the date of the contract modification or, if the remaining goods and services are distinct, the Company recognizes the remaining consideration prospectively.

Revenue is recognized when or as the Company satisfies a performance obligation by transferring a promise of goods or services to the customer and are measured at the amount of consideration the Company expects to be entitled to receive, including variable consideration, such as, discounts, volume rebates, service-level penalties, and incentives. Variable consideration is estimated using either the expected value method or most likely amount method and is included only to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur. In making this judgement, management will mostly consider all information available at the time (historical, current and forecasted), the Company's knowledge of the client or the industry, the type of services to be delivered and the specific contractual terms of each arrangement.

Revenues associated with subcontractors or bought-in goods that contribute to a performance obligation are recognised when the goods are purchased and when the subcontractor's deliverables are accepted. Where SCISYS acts in the role of principal by exercising control over a subcontractor's goods/services before transfer to the customer (e.g. by integrating goods/services, assuming responsibility for customer acceptance, taking inventory risk or exercising discretion over pricing) SCISYS recognises as revenue the gross amount of consideration to which it expects to be entitled for the transfer of goods/services to the customer. Where SCISYS operates as an agent by arranging for the provision of the specified goods/services by another party then only the mark-up is recognised as revenue.

Relative stand-alone selling price

The Company's arrangements often include a mix of the services and products as described below. If an arrangement involves the provision of multiple performance obligations, the total arrangement value is allocated to each performance obligations based on its relative stand-alone selling price. When estimating the stand-alone selling price of each performance obligation, the Company maximizes the use of observable prices which are established using the Company's prices for same or similar deliverables. When observable prices are not available, the Company estimates stand-alone selling prices based on its best estimate. The best estimate of the stand-alone selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs and margins. Additionally, in certain circumstances, the Company may apply the residual approach when estimating the stand-alone price of software license products, for which the Company has not yet established the price or has not previously sold on a stand-alone basis.

Managed IT and business process services

Revenue from managed IT and business process services arrangements is generally recognized over time as the services are provided at the contractual billings, which corresponds with the value provided to the client, unless there is a better measure of performance or delivery.

Systems integration and consulting services

Revenue from systems integration and consulting services under time and material arrangements is recognized over time as the services are rendered, and revenue under cost-based arrangements is recognized over time as reimbursable costs are incurred. Contractual billings of such arrangements correspond with the value provided to the client, and therefore revenues are generally recognized when amounts become billable.

Systems integration and consulting services (continued)

Revenue from systems integration and consulting services under fixed-fee arrangements is recognized using the percentage-of completion method over time, as the Company has no alternative use for the asset created and has an enforceable right to payment for performance completed to date. The Company primarily uses labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Factors considered in the estimates include changes in scope of the contracts, delays in reaching milestones, complexities in project delivery, availability and retention of qualified IT professionals and/or the ability of the subcontractors to perform their obligation within agreed upon budget and timeframes. Management regularly reviews underlying estimates of total expected labour costs or hours.

Software licenses

Most of the Company's software license arrangements include other services such as implementation, customization and maintenance. For these types of arrangements, revenue from a software license, when identified as a performance obligation, is recognized at a point in time upon delivery. Otherwise when the software is significantly customized, integrated or modified, it is combined with the implementation and customization services and is accounted for as described in the systems integration and consulting services section above. Revenue from maintenance services for software licenses sold is recognized straight-line over the term of the maintenance period.

All revenues are stated net of discounts, VAT and other sales related taxes.

Contract assets and contract liabilities

Amounts recognized as revenue in excess of billings are classified as contract assets. Amounts received in advance of the performance of services or delivery of products are classified as contract liabilities. Contract assets and contract liabilities are presented net on a contract by-contract basis.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with the fair value of goods and services received.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

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Notes to the financial statements (continued)

Note 2.13 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Freehold property	10 - 40 years
Leasehold property	Over life of lease
Fixtures and fittings	5 - 10 years
Computer equipment	3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Scisys UK Limited

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

Notes to the financial statements (continued)

2.19 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.20 Leases

When the Company enters into contractual agreements with suppliers or other parties, an assessment is performed to determine if the contract contains a lease. The Company identified lease agreements under agreements for computer equipment and land and buildings.

Until the 2018 financial year, leases were classified as operating leases. From 1 January 2019, leases are

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Notes to the financial statements (continued)

Note 2.20 Leases continued

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 Company.

Lease liabilities are measured at present value of non-cancellable payments of the expected lease term, which are mostly made of fixed payments of rent excluding maintenance fees; variable payments that are based on an index or a rate; amounts expected to be payable as residual value guaranties and extension or termination option if reasonably certain to be exercised.

The Company estimates the lease term in order to calculate the value of the lease liability at the initial date of the lease. Management uses judgement to determine the appropriate lease term based on the conditions of each lease. To determine the lease term, the Company considers all factors that create economic incentives to exercise an extension or a termination option. The extension or termination options are only included in the lease term if it is reasonably certain of being exercised.

Discount rate used in the present value calculation is the incremental borrowing rate unless the implicit interest rate in the lease can be readily determined. The Company estimates the incremental borrowing rate for each lease or portfolio of leased assets, as most of the implicit interest rates in the leases are not readily determinable. To calculate the incremental borrowing rate, the Company considers its credit worthiness, the term of the arrangement, any collateral received and the economic environment. The incremental borrowing rates are subject to change mainly due to changes in the economic environment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at initial lease liabilities adjusted by lease payments made before the commencement date, indirect costs and cash incentives received. The right-of-use assets are depreciated on a straight-line basis over the expected lease term of the underlying asset.

Payments associated with short-term leases of offices are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As explained in notes 2.4 and 23, the Company has changed its accounting policy for leases where the Company is the lessee. The impact of the change is explained in note 23. Prior to this change, Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

3. Judgments in applying accounting policies 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 have had the most significant effect on amounts recognised in the financial statements:

Multiple component arrangements (Judgement):

Assessing whether the deliverables within an arrangement are separately identifiable components requires judgement by management. A component is considered as separately identifiable if it has value to the client on a stand-alone basis. The Company first reviews the contract clauses to evaluate if the deliverable is accepted separately by the client. Then, the Company assesses if the deliverable could have been provided by another vendor and if it would have been possible for the client to decide to not purchase the deliverable.

Deferred tax assets (Judgement and Estimate):

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required concerning

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Notes to the financial statements (continued)

Note 3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Deferred tax assets (Judgement and Estimate): (continued)

uncertainties that exist with respect to the timing of future taxable income required to recognise a deferred tax asset. The Company recognises an income tax benefit only when it is probable that the tax benefit will be realised in the future. In making this judgement, the Company assesses forecasts and the availability of future tax planning strategies.

Provisions (Judgement and Estimate):

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company's provisions consist of liabilities for leases of vacated premises, litigation and claims provisions arising in the ordinary course of business, decommissioning liabilities for operating leases of office buildings and onerous revenue-generating contracts. The Company also records restructuring provisions for termination of employment costs related to its productivity improvement initiatives and to the integration of its business acquisitions.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted using a current pre-tax rate when the impact of the time value of money is material. The increase in the provisions due to the passage of time is recognised as finance costs.

Provisions for onerous revenue-generating contracts are recorded when unavoidable costs of fulfilling the contract exceed the estimated total revenue from the contract. Management regularly reviews arrangement profitability and the underlying estimates. Restructuring provisions are recognised when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, appropriate timelines and has been communicated to those affected by it.

Estimates of the lease term

The Company estimates the lease term in order to calculate the value of the lease liability at the initial date of the lease. Management uses judgement to determine the appropriate lease term based on the conditions of each lease. To determine the term, the Company considers all factors that create economic incentives to exercise an extension or a termination option. The extension or termination options are only included in the lease term if it is reasonably certain of being exercised. Management considers all facts that create incentive to exercise an extension option or not to take a termination option including leasehold improvements, significant modification of the underlying asset or a business decision.

Discount Rate for leases

The discount rate is used to determine the initial carrying amount of the lease liabilities and the right-of-use assets. The Company estimates the incremental borrowing rate for each lease or portfolio of leased assets, as most of the implicit interest rates in the leases are not readily determinable. To calculate the incremental borrowing rate, the Company considers its credit worthiness, the term of the arrangement, any collateral received and the economic environment. The incremental borrowing rates are subject to change mainly due to changes in the economic environment. A change in the assumptions used to determine the lease term could result in a significant impact on the right-of-use assets and the lease liabilities presented in the balance sheet as well as in the depreciation of the right-of-use assets and interest expense on lease liabilities.

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Notes to the financial statements (continued)

4. Segmental information

Geographical analysis of revenue by destination

	2019	2018
	£'000	£'000
UK*	18,579	20,953
Rest of Europe	4,727	4,617
Rest of World	396	387
	23,702	25,957

*In 2019 the Company determined an amount of £2,703,000 for write back on revenue for POC contracts where the estimate to complete the project has been under estimated and after careful review by the Company, this adjustment is required to bring the contracts in line with the contract deliverables and the review of costs to go.

	2019	2018
	£'000	£'000
External revenues		
Professional fees revenue	21,025	23,127
Other revenue	2,677	2,830
Total	23,702	25,957

The following two tables disaggregate revenue from contracts with customers into categories that depict how the nature, timing and uncertainty of revenue and cash flow are affected by economic factors.

	2019	2018
	£'000	£'000
Timing of revenue recognition		
Point in time	1,838	1,267
Performance over time	21,864	24,690
Total	23,702	25,957

	2019	2018
	£'000	£'000
Certainty of revenues		
Year ended 31 December 2019		
100% - contract completed and paid	14,491	15,949
Contract - completed, awaiting payment	21	131
Point in time, benefit transferred	1,149	959
Performance over time	8,041	8,918
Total	23,702	25,957

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Notes to the financial statements (continued)

5. Employee and Directors remuneration

	2019	2018
	No.	No.
The average number of persons employed by the Company during the year was as follows:		
Management	40	33
Professional	254	232
Administration	18	11
	312	276

	£'000	£'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	15,109	13,823
Social security costs	1,748	1,506
Pension costs	1,056	915
	17,913	16,244

Remuneration of directors

	2019	2018
	£'000	£'000
Directors' emoluments	378	252
Pension contributions	10	10
	388	262

The aggregate emoluments of the highest paid director were £378,000 which includes £121,000 for loss of office (2018: £154,000). Company pension contributions of £10,000 (2018: £9,000) were made to a money purchase scheme in respect of the highest paid director. Retirement benefits are accruing to 3 directors (2018: 1) under money purchase schemes. Total loss of office of payments to directors were £121,000 (2018: £Nil).

Remuneration for 2 directors C Cheetham and S Brignall are borne by the parent company SCISYS UK Holding Limited and part of their remuneration is recharged to SCISYS UK Limited for their services.

6. Operating (loss)/profit

	2019	2018
	£'000	£'000
This is stated after charging/(crediting):		
Fees paid to the auditors and their associates		
Audit	42	40
Foreign exchange loss/(gain)	57	(99)
Depreciation - tangible fixed assets	539	309
Depreciation - right-of-use assets	40	-
Provision for loss on revenue*	3,538	-
Hire of plant and machinery – rentals payable under operating leases	4	4

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Notes to the financial statements (continued)

Note 6. Operating (loss)/profit (continued)

*In 2019 the Company determined that some contracts are not expected to be profitable and total expected costs are exceeding the estimated revenue and therefore have recognised £3,538,000 loss provision in 2019. The loss provision has been taken at contract level and included in the analysis are all projects within the contract. The provision for loss will be reviewed on a quarterly basis to verify whether an additional provision is required due to a worsening in the profitability in the contract, or whether the provision should be reversed due to an improvement in the profitability.

7. Tax on (loss)/ profit on ordinary activities

Recognised in the income statement

	2019	2018
	£'000	£'000
UK corporation tax	-	-
Adjustment relating to earlier years	-	-
Total tax credit	-	-

The tax assessed for the year higher than (2018 – lower than) the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019	2018
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(5,427)	3,294
Tax at standard rate of 19.00% (2018: 19.00%)	(1,031)	626
Expenses not deductible for tax purposes	14	32
Other items including permanent differences:		
Capital allowances in the year in excess of depreciation	38	-
Group relief claim	-	(72)
Adjusted deferred tax to average rate of 19.00%	-	(62)
Deferred tax asset not recognised	979	(524)
Total tax credit	-	-

Change in Corporation tax rate:

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, since there is no tax expense in the entity or deferred tax assets or liabilities there would be no effect on the statements had the tax rate increase been substantively enacted by the balance sheet date.

Scisys UK Limited**Annual report and financial statements for the year ended 31 December 2019****Notes to the financial statements (continued)****8. Tangible fixed assets**

	Leasehold property £'000	Computer equipment £'000	Office* equipment £'000	Total £'000
Cost:				
At beginning of year	695	4,591	2,124	7,410
Additions	-	515	8	523
At end of year	695	5,106	2,132	7,933
Depreciation:				
At beginning of year	170	4,178	1,620	5,968
Charge for year	153	355	31	539
At end of year	323	4,533	1,651	6,507
Net book value at 31 December 2019	372	573	481	1,426
Net book value at 31 December 2018	525	413	504	1,442

*The Company decided to combine the plant & machinery and office equipment into one asset class from 1 January 2019.

Scisys UK Limited
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Notes to the financial statements (continued)

9. Leases

i) Amounts recognised in statement of financial position

Right-of-use assets

	Land £'000	Computer Equipment £'000	Total £'000
As at 31 December 2018	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book amount	-	-	-

Cost

At 1 January 2019 (note – 23)	67	150	217
Lease modifications/adjustments	-	-	-
Closing balance at 31 December 2019	67	150	217

Depreciation

At 1 January 2019	-	-	-
Depreciation expense	1	39	40
Closing at 31 December 2019	1	39	40

As at 31 December 2019			
Cost	67	150	217
Accumulated depreciation	(1)	(39)	(40)
Net book amount	66	111	177

There were no additions in right-of-use assets during the 2019 financial year.

Lease liabilities-

	£'000
At 1 January 2019 (note - 23)	238
Accretion of interest	7
Payments	(46)
Closing balance at 31 December 2019	199

	£'000
Analysed by:	
Current lease liabilities	39
Non-current lease liabilities	160
	199

Scisys UK Limited
Annual report and financial statements for the year ended 31 December 2019
Notes to the financial statements (continued)

Note 9. Leases (continued)

ii) Amounts recognised in income statement

	2019	2018
	£'000	£'000
Depreciation charge of right-of-use assets	40	-
Interest expense (included in finance cost)	7	-
Rent reversal	(46)	-
Expenses related to short-term lease (included in administrative expenses)	258	-
	259	-

iii) Future minimum lease payments as at 31 December 2019 are as follows:

	2019	2018
	£'000	£'000
Within one year	45	-
In second to fifth year inclusive	86	-
Later than five year	269	-
	400	-

The above lease maturity disclosure relates to the Company's accounting for leases under IFRS 16. Refer to note 18 for disclosures relating to the comparative year.

10. Debtors

	2019	2018
	£'000	£'000
Trade debtors	4,020	5,519
Contract assets	3,332	4,077
Amounts owed by group undertakings	7,120	1,886
Corporation tax	180	100
Other debtors	578	77
Prepayments and accrued income	790	826
	16,020	12,485

Debtors of £Nil (2018: £2,000) are due after more than one year.

All amounts owed by group undertakings are repayable on demand and do not bear any interest.

11. Contract balances

The timing of revenue recognition, invoicing and cash collection results in billed accounts receivable, unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the balance sheet. Within the Company, amounts are billed as work in progress in accordance with agreed upon contractual terms either at periodic intervals (e.g. monthly) or upon achievement of contractual milestones. Invoicing typically occurs subsequent to revenue recognition, resulting in contract assets although advances or deposits can be received from customers, particularly on larger contracts, before revenue is recognised, resulting in contract liabilities. These assets and liabilities are reported on the balance sheet on a contract-by-contract basis at the end of each reporting period. In the Scisys Space division, deposits are generally received from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognised.

Due to the acquisition and in 2019, the contract assets and liabilities have been reviewed, and as a result in estimates, there were increases in contract assets by £60,000 and contract liabilities by £2,763,000 with corresponding effect adjusted in revenue cumulatively

Scisys UK Limited
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Notes to the financial statements (continued)

Note 11. Contract balances (continued)

Changes in the contract asset and liability during the year ended 31 December 2019 were not materially impacted by any other factors.

	2019	2018
	£'000	£'000
Contracts in progress at the balance sheet date		
Contract assets*	3,332	4,077
Contract liabilities	(3,591)	(1,310)
Net contract (liabilities)/assets	(259)	2,767

Contract assets

Unbilled receivables represent revenue recognised on long term contracts (contract costs and estimated profits) less associated advances and progress billings. These amounts will be billed in accordance with the agreed upon contractual terms or upon achievement of contractual milestones. Contract costs may also include estimated contract recoveries for items such as contract change notes and claims for unanticipated contract costs. Revenue associated with these items is only recognised when the amount recoverable can be estimated reliably and realisation is probable. The revenue recognition profile is as follows:

	2019	2018
	£'000	£'000
Within 1 year	2,274	1,856
Between 2 and 5 years	1,058	962
Over 5 years	-	1,259
Contract assets	3,332	4,077

Contract liabilities

Contract liabilities consist of advance payments from customers and deferred revenue. Movement in contract liabilities for the year ended 31 December 2019 are as follows:

	£'000
As at 1 January 2018	(1,986)
Advance payments received from customers	(8,043)
Revenue recognised in the period from:	
Amounts included in contract liability at the beginning of the period	1,986
Advance payment applied to current period	6,733
As at 1 January 2019	(1,310)
Advance payments received from customers	(5,107)
Contract balances adjustment*	(2,763)
Revenue recognised in the period from:	
Amounts included in contract liability at the beginning of the period	1,310
Advance payment applied to current period	4,279
As at 31 December 2019	(3,591)

*During the year, the Company has determined that duration to complete the project has been under estimated and to give an effect, the Company has reduced increased contract assets by £60,000 and contract liabilities by £2,763,000 and corresponding effect has been adjusted in revenue cumulatively.

Contract liabilities will be recognised as revenue as the promised goods and services are transferred to the customers, which is expected to occur over the next 2 years.

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Notes to the financial statements (continued)

12. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Lease liabilities (note 9)	39	-
Trade creditors	2,490	2,343
Contract liabilities	3,591	1,310
Taxation and social security	2,314	418
Amount owed to group undertakings	2,205	-
Other creditors	331	834
Accruals	491	750
	11,461	5,655

All amounts owed to group undertakings are repayable on demand and do not bear any interest.

13. Deferred income

	2019	2018
	£'000	£'000
Deferred income	77	77

14. Provisions

	£'000
As at 1 January 2019	-
Provisions made during the period	3,538
Amounts reversed during the period	-
As at 31 December 2019	3,538

In 2019 the Company determined that some contracts are not expected to be profitable and total expected costs are exceeding the estimated revenue and therefore, recognised £3,538,000 contract loss provision. The loss provision has been taken at contract level and included in the analysis are all projects within the contract.

15. Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Lease liabilities (note 9)	160	-

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16. Deferred tax

	Recognised £'000	2019 Potential asset £'000	Recognised £'000	2018 Potential asset £'000
Difference between accumulated depreciation and capital allowances	-	125	-	21
Other timing differences	-	30	-	21
Tax losses	-	1,205	-	280
	-	1,360	-	322

Deferred tax assets have not been recognised in respect of the items listed above as the profitability of the Company is not sufficiently certain as to allow recognition of the assets.

17. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid 3,000,000 Ordinary shares of £1 each	3,000	3,000

18. Commitments

Rental commitments under non-cancellable operating leases are as follows:

	Property £'000	2019 Other £'000	(Restated*) Property £'000	2018 Other £'000
<i>Operating leases which expire:</i>				
Within one year	-	-	66	-
In second to fifth years inclusive	-	-	126	-
Later than five years	-	-	394	-
	-	-	586	-

* Previous year numbers are restated to align with the current year presentation as per IFRS 16.

The above disclosures relate to the Company's accounting for leases under IAS 17. Refer to note 9 for disclosures relating to the adoption of IFRS 16.

19. Contingent liabilities

At 31 December 2019, there were no contingent liabilities. At 31 December 2018 the Company had a bank guarantee in respect of its holding company, SCISYS UK Holdings Limited, which had bank borrowings of £6,003,000. Bank borrowings were secured by debentures from the Company and SCISYS UK Holding Limited and a first legal charge over the long leasehold property in Bristol.

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20. Share based payment charges

The Company operates a number of share options plans as set out below. The fair values of these schemes have been assessed using Black-Scholes and similar models, as are appropriate to the scheme at the date of grant. The fair values of the schemes are expensed over the period between grant and vesting. Charges for share-based payments under IFRS2 have been recognised only for issues that were made after 7 November 2002 and had not vested at the transition date as prescribed by IFRS2 for first-time adoption.

Company Share Option Plan (CSOP)

The Company introduced an HMRC approved CSOP scheme in January 2009 to incentivise and aid retention of key employees following changes in tax legislation which discontinued the favourable tax treatment for employees in the EMI scheme. CSOP share options are exercisable at a price equal to the quoted mid-price of Scisys Group PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the CSOP share option grants, including EPS related conditions. If the CSOP share options remain unexercised after a period of 10 years from the date of grant, the CSOP share options expire. CSOP share options are forfeited if the employee leaves the Company before the options vest. The charge recognised in the year was £409,000 due to accelerated vesting of unvested options (2018: £18,000).

The number of CSOP options relating to Scisys UK employees at the year end was as follows:

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2018	783,500	£0.604	£0.250 to £1.015
Granted during the period	162,096	£1.630	£1.630
Options previously disclosed as csops and redesignated as unapproved	(210,000)	£0.719	£0.510 to £1.015
Lapsed during the period	(2,500)	£0.710	£0.710
Exercised during the period	(263,500)	£0.366	£0.250 to £0.520
Outstanding at 1 January 2019	469,596	£0.604	£0.505 to £1.630
Granted during the period	-	-	-
Options previously disclosed as csops and redesignated as unapproved	-	-	-
Exercised during the period	(469,596)	-	£0.505 to £1.630
Outstanding at 31 December 2019	-	-	-

The information provided below was used to calculate the IFRS 2 charge for the year.

Due to the acquisition in 2019, the Company settled the vested options by payment of £1,091,000 in exchange of cancellation of options. This is accounted for as repurchase of equity interest, resulted in reduction of equity. The Company accounted settlement of unvested options as an acceleration of vesting, and therefore recognized the charge of £409,000 in profit and loss.

Expected volatility was determined by information that was then currently available to the Company.

	29 Apr 2015	21 Apr 2016	27 Apr 2017	03 May 2018
Share price at grant	£0.825	£0.710	£1.015	£1.630
Exercise price	£0.825	£0.710	£1.015	£1.630
Expected life (years)	6.5	6.5	6.5	6.5
Expected volatility	40%	40%	40%	40%
Risk free rate	2.7%	2.3%	1.7%	1.9%
Expected dividends	1%	1%	1%	1%
Fair value charge per share	£0.131	£0.098	£0.107	£0.186

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21. Related parties

On 18 December 2019, CGI Group Holdings Europe Limited, acquired the Scisys Group PLC including Scisys UK Limited. Scisys Group PLC ceased to be the Company's ultimate parent undertaking and the Company's ultimate parent undertaking and controlling party is CGI Inc from the date of acquisition.

As a wholly owned subsidiary undertaking of the ultimate parent undertaking, CGI Inc. (Pre-acquisition: Scisys Group PLC), the Company has taken advantage of the exemption under FRS 101, the requirements in IAS 24 'Related Party Disclosures' from disclosing transactions with other members of the group headed by CGI Inc. (Pre-acquisition: Scisys Group PLC), whose accounts are publicly available.

22. Post balance sheet event

For the financial statements for the year ended December 31 2019, the Company assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on its balance sheet carrying amounts and as part of the Company's going concern assessment. Whilst the directors have assessed the company's standalone position to be continuing as a going concern, it has gained additional assurances from CGI Group Holdings Europe Limited, an intermediate parent entity, that it will provide support for at least 12 months from the date the accounts have been signed.

The United Kingdom formally left the European Union on 31 January 2020 and completed the transition period on 31 December 2020. It has not yet been possible to fully assess the impact of the UK leaving the EU on the company and its operations.

During the financial years to 31 December 2020 and the period ended 30 April 2021, a number of contracts have been novated to CGI IT UK Limited.

23. Effect of adoption of IFRS 16 – Leases

As indicated in notes 2.4 and 9, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The new accounting policies are disclosed in note 2.20.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.369%.

i. Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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23. Effect of adoption of IFRS 16 – Leases (continued)

ii. Measurement of lease liabilities

	£'000
Operating lease commitments disclosed at 31 December 2018	586
(Less): Discounted using the lessee's incremental borrowing rate of date Of initial application	(208)
(Less): short term leases not recognised as liability	(140)
Lease liabilities recognised as at 1 January 2019	238

	£'000
Analysed by:	
Current lease liabilities	38
Non-current lease liabilities	200
	238

iii. Measurement of right-of-use assets

The Company recognises right-of-use assets are measured at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Company choose to measure the right-of-use asset at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

iv. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets – increase by £217,000
- Lease liabilities – increase by £238,000

The net impact on retained earnings on 1 January 2019 was a decrease of £21,000.

24. Controlling party

The Company's immediate parent company is Scisys Holdings UK Limited. CGI Inc., a company incorporated in Quebec, Canada, is the ultimate parent undertaking of the Company.

Scisys Group Limited is the head of the largest and smallest group for which financial statements are drawn up. The consolidated financial statements of Scisys Group Limited can be obtained by contacting Investor Relations by mail or telephone:

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