Avoka Europe Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Registered number: 07226904

Avoka Europe Limited

Annual report and Financial Statements
For the year ended 31 December 2020

Contents

Avoka Europe Limited

Company information

Directors

N Michael (appointed on 13 March 2020)
A J Pattison (appointed on 13 March 2020)
D Noctor
O Pennese
M Gunning (resigned on 13 March 2020)

Registered office

5th Floor
71 Fenchurch Street
London
EC3M 4TD

Company number

07226904 (England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

Avoka Europe Limited
Directors' report
For the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020.

Results and dividends

The statement of comprehensive income is set out on page 10 and shows the profit for the year ended 31 December 2020 of £583k (18 month period ended 31 December 2019: profit of £429k). The directors do not recommend the payment of a dividend (18 month period ended 31 December 2019: £nil).

Employees

The company ensures two-way communication by having management briefings. These briefings are presented by our directors to the management team, who then cascade the information presented via team meetings. Any feedback from these meetings is coordinated by our internal communications team and any questions raised are responded to accordingly. We also ensure information is provided to our team through our weekly e-newsletter and through our intranet.

The team is encouraged to share feedback through to management. In addition, the sharing feedback and ideas is facilitated and encouraged via our company's My Voice Engagement. The program was developed from colleague feedback received through focus groups and surveys and incorporates our values (People Power, Customer Core, See Different, Inspire Better and Operate Responsibly).

The company is also fully committed to equal opportunities. Specifically we are committed to making reasonable adjustments to ensure fair consideration of applications from disabled people. This commitment extends throughout employment relation to training and development, as well as making and reasonable adjustment to enable the completion of any work. This commitment also applies should any employee have a disability whilst they are part of the company.

Brexit

The Temenos AG Group ("Temenos") derives all of its licensing, SaaS, maintenance and services revenues from banks and other financial institutions. The banking industry is sensitive to changes in global economic conditions, financial markets and is highly susceptible to unforeseen external events, such as political instability, terrorist attacks, recession, inflation or other adverse occurrences that may result in a significant decline in the use and/or profitability of financial services.

The impact to Temenos and our clients is unclear due to the United Kingdom's decision to leave the European Union. A trade deal in respect of financial services is yet to be signed and may result in decreased consumer or corporate use of financial services, or cost-cutting measures by financial services companies, may negatively affect the level of demand for Temenos products and services. There could also be greater restrictions on imports and exports between the United Kingdom and European Union countries and could also result in increased regulatory complexities.

Although a memorandum of understanding has been agreed, the absence of a financial services trade deal makes it difficult to evaluate all the potential implications on the company's trade, customers, suppliers, and the wider economy. The directors of the company, and Temenos AG group continue to monitor potential implications of Brexit on the UK business, in order to mitigate the potential impact on the business, including Brexit negotiations and impact on key regulations.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:
N Michael (appointed on 13 March 2020)
A J Pattison (appointed on 13 March 2020)
D Noctor
O Pennese
M Gunning (resigned on 13 March 2020)

Donations

No political donations have been made.

Avoka Europe Limited
Directors' report
For the year ended 31 December 2020 (continued)

Indemnity provision

Throughout the financial year and at the date of the approval of these financial statements, the Company maintained Directors and Officer's Liability insurance policies on behalf of the directors of the Company. These policies meet the 2006 Companies Act definition of a qualifying third party indemnity provision.

Going Concern

The directors believe that the Company remains a going concern as at the date of signing the financial statements and that it will be able to pay its debts and expenses as they fall due for at least a period of 12 months from the date of signing these financial statements. The directors of Temenos AG have provided a letter confirming support from Temenos AG covering at least 12 months following the signing of these financial statements.

COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events continued to have a high level of uncertainty and volatility in markets and have had an significant impact on businesses and consumers in all sectors. It raises some uncertainties and additional risks.

The Directors are actively monitoring this and its potential effect on the Group and Company. In particular, the following specific key potential impacts have been considered:

- Impact on license signings however recurring revenue is resilient;
- Staff's ability to work remotely, globally, and no disruptions to servicing clients; and
- Flexible cost base enables profit protection.

In considering the above key potential impacts of COVID-19 on the Group and Company operations, the Directors have assessed these with reference to the mitigation measures in place.

Key personnel have successfully implemented remote working policies to ensure business disruption is minimised. Temenos remains focussed on continuing to invest in the business and strengthen its position as the global banking software provider. The directors have considered the potential impact of COVID-19 and do not consider that COVID-19 would affect the ability of the Group and Company to generate value in the long-term or impact its business or the assessment to continue as a going concern. As part of this, the Group has reconfirmed it's long term strategic plan to investors.

Financial risk management

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group treasury department has implemented risk management policies and procedures and an appropriate subset of the overall group policies and procedures are implemented in the Company by the board of directors and the Company's local finance team.

Market risk

(i) Foreign exchange risk

Whilst the Company operates internationally, the majority of contracts are denominated in Pound Sterling. Foreign exchange gains and losses principally arise from intercompany transactions.

(ii) Price risk

The Company is not significantly exposed to any price risks other than those related to derivative foreign exchange contracts.

(iii) Cash flow and fair value interest risk

The Company is not exposed to cash flow or interest rate risks as any temporary short falls in funding are covered by loans from group companies.

Financial risk management (continued)

(a) Financial risk factors (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables.

The Company's credit risk is significantly mitigated since all of its customers are financial institutions spread across a wide geographic spectrum that have either high credit-rating, strong past experience or government backing. Moreover, such institutions are already strongly regulated by their local business laws to ensure a high level of capital structure in order to maintain a stable banking environment. The majority of the Company's receivables are with highly rated banks.

At the initial phase of the negotiation, the Company analyses the creditworthiness of the customer by ensuring that:

(i) the customer is highly rated by credit rating institutions or by other publicly available information, and it is not negatively flagged in the software industry; or

(ii) the customer has a strong past experience without delinquency of payments; or

(iii) if (i) and (ii) are not applicable, the Company may minimise the risk by requesting financial security such as prepayments, delivery against payments or collateral security.

The Company may withhold services under project implementation or withhold the right to use its software if a specific customer does not respect its payment obligations. At present, the Company does not hold any collateral security.

There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers which are internationally dispersed.

Country risk is mitigated by the Company's broad geographic customer base and is minimised by a prudent approach of recognising the revenue. In rare cases where the country risk is predominant, the Company may recognise the revenue only upon cash collection.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages any potential liquidity risk by means of ongoing support from group companies.

(b) Capital risk management

The Company is a wholly owned subsidiary and hence is not exposed to capital market risk.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any 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 Section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to accept re-appointment as auditors and a resolution concerning their re-appointment as auditors will be proposed at the Annual General meeting.

Avoka Europe Limited
Directors' report
For the year ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- .select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors' Report was approved by the Board on 17 September 2021 and signed on its behalf by;

A Pattison
Director

Independent auditors' report to the members of Avoka Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, Avoka Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Avoka Europe Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of Avoka Europe Limited (continued)

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to prohibited and unethical business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and potential management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and instances of suspected or actual fraud, reviewing management assertions and disclosures; and testing to supporting documentation to assess appropriateness
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and testing significant accounting estimates (because of the risk of management bias)
- reviewing management assertions and disclosures, and testing to supporting documentation to assess appropriateness

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Independent auditors' report to the members of Avoka Europe Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Alex Crompton

Alex Crompton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
17 September 2021

Avoka Europe Limited

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Turnover	2	**6,757**	10,605
Cost of sales		**(4,904)**	(3,683)
Gross profit		**1,853**	6,922
Administrative expenses		**(1,149)**	(6,385)
Operating profit	3	**704**	537
Interest payable and similar expenses	4	**-**	(9)
Profit before taxation		**704**	528
Tax on profit	6	**(121)**	(99)
Profit for the financial year and total comprehensive income		**583**	429

All results are derived from continuing activities.

There were no items of comprehensive income apart from the profit for the financial year/period.

Avoka Europe Limited

Statement of Financial Position

As at 31 December 2020

	Note	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Fixed assets			
Tangible assets	7	**4**	12
		4	12
Current assets			
Debtors	8	**10,593**	16,196
Cash at bank and in hand		**197**	455
		10,790	16,651
Creditors: amounts falling due within one year	9	**(7,483)**	(13,935)
Net current assets		**3,307**	2,716
Total assets less current liabilities		**3,311**	2,728
Net assets		**3,311**	2,728
Capital and reserves			
Called up share capital	10	**1,900**	1,900
Profit and loss account		**1,411**	828
Total equity		**3,311**	2,728

The notes on pages 13 to 20 are an integral part of these financial statements.

The financial statements on pages 10 to 20 were approved by the Board on 17 September 2021 and were signed on its behalf by:

A Pattison
Director

Avoka Europe Limited

Statement of Changes in Equity

For the year ended 31 December 2020

	Called-up Share capital *£'000*	*Profit and loss account* *£'000*	*Total equity* *£'000*
Balance as at 1 July 2018	-	360	360
Profit for the period and total comprehensive income	-	429	429
Loan recapitalisation	1,900	-	1,900
Pre-acqusition costs	-	39	39
Balance as at 31 December 2019	1,900	828	2,728
Profit for the period and total comprehensive income	-	583	583
Balance as at 31 December 2020	1,900	1,411	3,311

1 Accounting policies

General information

The Company is a private limited company limited by shares and is incorporated in United Kingdom. The address of its registered office is 5th Floor, 71 Fenchurch Street, London, EC3M 4TD.

Statement of compliance

The financial statements of Avoka Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

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

Basis of preparation

These financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention. The financial statements have been prepared under FRS 102.

Going Concern

At 31st December 2020, the Company had net assets. The financial statements are prepared on the going concern basis because of (1) the positive outlook of the ability of the Group to generate positive cash flows, (2) no provisions for future dissolution of the entity has been recognised in these financial statements and (3) the directors of Temenos AG have provided a letter confirming support from Temenos AG covering at least 12 months following the signing of these financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Avoka Europe Limited is a qualifying entity as its results are consolidated into the financial statements of Temenos AG which are publicly available.
As a qualifying entity, the Company has taken advantage of the following exemptions:

(i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;

(ii) from the requirement to present financial instrument disclosures, as required by FRS 102 paragraphs 11.39 to 11.48A, paragraphs 12.26 and 12.29;

(iii) from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23, concerning its own equity instruments;

(iv) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv); and

(v) from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.

1 Accounting policies (continued)

Turnover

Turnover is derived from the following sources: (1) software implementation and support services; (2) commissions received from the sale of software licences; (3) software licences and software maintenance (helpdesk services and rights to future product enhancements); (4) software development services; and (5) software as a service.

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes.

Turnover is recognised when all of the following conditions have been met: (1) an agreement has been entered into with the customer; (2) the software or services have been delivered; (3) the license fee is fixed and the agreement is free of uncertainties that may alter the agreement such that it may not be complete and final; and (4) collection is probable. In rare cases where the country risk is predominant, the Company may recognise the turnover only upon cash collection.

Software license turnover represent all fees earned from granting customers licenses to use our banking applications software, either through an initial license or through the purchase of additional modules or user rights, but exclude any amounts related to maintenance. Turnover is recognised when the base criteria have been met.

Software maintenance is included in most software license arrangements and is generally priced as a percentage of the initial software license fees. It is recognised on a straight line basis over the term of the arrangement.

Software implementation and support services represent income from consulting and implementation services sold separately under services contracts. Service contracts are accounted for on a percentage of completion basis. Turnover is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Where a contract involves performing an indeterminate number of acts over a specified period of time, turnover is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. When estimates indicate that a loss will be incurred on a contract upon completion, a provision of the expected loss is recorded in the period in which the loss becomes evident.

Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably

Licensing and service contract income that have been invoiced but have not been recognised as turnover are reported on the statement of financial position under deferred income, while income earned but not yet invoiced is reported under accrued income.

The intellectual property of the software sold by the company is owned by affiliated entities of the Temenos AG group. Correspondingly, turnover generated in respect of software licence and maintenance are subject to intra-group charges. This is included as a cost within administrative expenses in the statement of comprehensive income.

Cost of sales

The direct costs associated with sales contracts, such as sales commissions and third party licensing costs, are expensed as a "cost of sales" on a matching basis. Service costs are recognised as incurred and primarily represent payroll costs for implementation support consultants and fees paid to third party consultants. Payments received in respect of out of pocket expenses are netted against the associated cost.

1 Accounting policies (continued)

Tangible assets and depreciation

The cost of tangible assets is their purchase cost, together with any incidental expenses of acquisition. Tangible assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included within the operating profit.

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	-	25% on cost

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Foreign currency translation

Functional and presentation currency
The Company's functional and presentation currency is pound sterling.

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Taxation

Taxation comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

Current tax
Current tax is the expected tax payable (or recoverable) for the current period, and any adjustment to tax payable in respect of previous periods, using tax rates enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the statement of financial position date. Timing differences arise when items of income and expenditure are included in tax computations in periods which are different from their inclusion in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the reporting date.

1 Accounting policies (continued)

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income immediately.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Research and development

Research and development is charged to the statement of comprehensive income in the period in which it is incurred.

Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Impairment of debtors
The company makes an estimate of the recoverable value of trade debtors. When assessing impairment, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

2 Turnover

The total turnover of the company for year ended has been derived from its activities in the UK, Europe and Africa.

3 Operating Profit

This is after (crediting)/ charging:

	12 month Period ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Profit before taxation is stated after (crediting)/charging:		
Wages and salaries	**-**	4,378
Social security costs	**-**	617
Staff costs	**-**	4,995
Depreciation of tangible fixed assets	**8**	43
Foreign exchange loss	**473**	551
Services provided by the Company's auditors:		
Fees payable for the Audit	**9**	11

4 Interest payable and similar expenses

	12 month Period ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Interest payable to group and fellow subsidiary undertakings	-	9

5 Employee information and Directors' Emoluments

The average monthly number of employees, including directors employed by the Company during the year was:

	Number of employees	
	12 month Period ended 31 December 2020	18 month Period ended 31 December 2019
Technical and administration staff	**-**	46
Directors	**4**	4
	4	50

The Company's directors are also directors of other group companies who are responsible for payment of their remuneration. No amounts have been recharged to the Company in respect of their services for this or the previous year.

6 Tax on profit

(i) Analysis of charge in the year

	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Current tax:		
Tax charge for the year	**136**	99
Adjustments in respect of prior periods	**(15)**	-
Total tax on profit	**121**	99

(ii) Analysis of tax charge in the year

The tax assessed for the year is lower (2019: lower) than the standard effective rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00 %). The differences are explained below:

	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Profit before taxation	**704**	528
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2019: 19.00 %)	**134**	100
Effects of:		
Expenses not deductible for tax purposes	-	3
Timing differences not recognised	**2**	(4)
Adjustments in respect of prior periods	**(15)**	-
Total charge for the year	**121**	99

(iii) Factors affecting current and future tax charges

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

It was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25 per cent from 1 April 2023. This change has not yet been substantively enacted and hence is not reflected in these financial statements.

No deferred tax asset has been recognised (2019: £nil). The potential unrecognised deferred tax asset of the Company is set out below. The directors believe that the recoverability of this amount in the foreseeable future is uncertain, and therefore the potential deferred tax asset has not been recognised.

7 Tangible assets

	Computer equipment £'000
Cost	
At 1 January 2020	67
Additions	-
Disposal	-
At 31 December 2020	**67**
Accumulated depreciation	
At 1 January 2020	55
Charge for the year	8
Disposal	-
At 31 December 2020	**63**
Net book value	
At 31 December 2020	**4**
At 31 December 2019	12

8 Debtors

	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Trade debtors	**273**	837
Amounts owed by group undertakings	**9,916**	15,193
Corporation tax recoverable	**143**	-
Prepayments and accrued income	**261**	166
	10,593	16,196

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9 Creditors: amounts falling due within one year

	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Trade creditors	50	195
Amounts owed to group undertakings	2,903	10,977
Other taxation and social security	1,220	136
Corporation taxation	-	86
Accruals and deferred income	3,310	2,541
	7,483	13,935

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

10 Called up share capital

	Year ended 31 December 2020 £'000	18 month Period ended 31 December 2019 £'000
Authorised		
1,900,199 (2019:1,900,199) ordinary shares of £1 each (2019: £1)	1,900	1,900
Allotted, issued and fully paid		
1,900,199 (2019:1,900,199) ordinary shares of £1 each (2019: £1)	1,900	1,900

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

11 Ultimate parent company and controlling party

The ultimate parent undertaking and controlling party is Temenos AG, a company incorporated in Switzerland. Temenos AG is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Temenos AG are available from Temenos AG, 2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland.

12 Related party transactions

As the Company is a wholly owned subsidiary of Temenos AG, the Company has taken advantage of the exemption under Section 33.1A of FRS 102 from disclosing transactions or balances with entities which form part of the group. The consolidated financial statements of Temenos AG, within which this Company is included, can be obtained from the address given in note 11