

Registered number: 02322432

VERMEG SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



VERMEG SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mousser Jerbi Kawther Zouari
Registered number	02322432
Registered office	17 Bevis Marks 3rd Floor London EC3A 7LN
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

VERMEG SYSTEMS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditors' report	4 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 30

VERMEG SYSTEMS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

PRINCIPAL ACTIVITIES

The Company's principal activity is the design, sale and rental of financial software systems and related professional services.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Revenue decreased by 6.5% compared to 2020 but remain above the level of 2019. Operational costs have been reduced by 12%. This decrease in costs is mainly due to the closing of the Shanghai R&D center and the move of all R&D to Tunisia.

Ebitda increased by 6% and remains largely above £3m for the second year in a row.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £8,800,850 (2020 loss: £692,942).

During the year no dividend was paid (2020: £Nil).

KEY PERFORMANCE INDICATORS

The directors have monitored the performance of the Company with particular reference to the following key performance indicators:

- turnover by product line and geography compared to prior year;
- backlog and contract longevity;
- working capital management against budgets.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all business risks. Where possible, processes are in place to monitor and mitigate such risks.

The impact of Covid-19 has been considered in the directors' report.

This report was approved by the board on 28 July 2022 and signed on its behalf.

DocuSigned by:
Kawther Zouari
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Kawther Zouari
Director

VERMEG SYSTEMS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

Mousser Jerbi
Kawther Zouari

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Going concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. At 31 December 2021 the Company had net liabilities of £11.3m (30 December 2020: £20m) with cash of £0.7m (30 December 2020: £1.3m). The Company has received confirmation from its ultimate parent undertaking, Vermeg Group B.V., of its intention to continue to provide financial and other support to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

Final result is positive and should remain positive in the future.

The directors have therefore prepared the accounts on a going concern basis.

VERMEG SYSTEMS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Impact of Brexit

We provide only services to customers in the UK and abroad. From what we have heard so far our business should not be affected by Brexit. There might be some restriction on the movements of people to the UK but this will not have a significant impact. We continue to monitor developments.

Qualifying third party indemnity provisions

All provisions deemed necessary have been recognized.

Subsequent events

We are exposed to risks related to the Corona virus and the political situation in Europe.

We are monitoring closely the development of these events and anticipating all actions to ensure the business continuity and mitigate the risks on our operations. In the meantime, we also focus on the safety and the wellbeing of our people. All employees have been working from home for more than two years and this has proven to be very efficient.

We have no customer nor provider in Russia or its surrounding countries.

No other events have occurred since balance sheet date, which would change the financial position of the group and which would require adjustment of or disclosure in the financial statements now presented.

Disclosure of information to auditors

The directors confirm that:

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

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 July 2022 and signed on its behalf.

DocuSigned by:

Kawther Zouari

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Kawther Zouari
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERMEG SYSTEMS LIMITED

Opinion

We have audited the financial statements of Vermeg Systems Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit 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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERMEG SYSTEMS LIMITED (CONTINUED)

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 the Directors' report have been prepared in accordance with applicable legal requirements.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERMEG SYSTEMS LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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 for the financial statements

As explained more fully in the Directors' responsibilities statement, 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 Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERMEG SYSTEMS LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how the Company is complying with legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries throughout our audit work.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity/regulator entity including:
 - the provisions of the applicable legislation;
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
 - the applicable statutory provisions.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VERMEG SYSTEMS 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 Auditors' 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.

Grant Thornton UK LLP

Anthony Thomas FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

28 July 2022

VERMEG SYSTEMS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	11,372,803	12,109,677
Cost of sales		-	(11,224)
Gross profit		11,372,803	12,098,453
Administrative expenses		(8,581,215)	(12,984,004)
Other operating income	5	2,698,905	26,014
Operating profit/(loss)	7	5,490,493	(859,537)
Interest receivable and similar income	8	93,079	201,551
Interest payable and expenses	9	(26,345)	(34,956)
Profit/(loss) before tax		5,557,227	(692,942)
Tax on profit/(loss)	10	3,243,623	-
Profit/(loss) for the financial year		8,800,850	(692,942)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: £Nil).

The notes on pages 12 to 30 form part of these financial statements.

VERMEG SYSTEMS LIMITED
REGISTERED NUMBER:02322432

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	31 December 2021 £	30 December 2020 £
Fixed assets			
Intangible assets	11	956,968	1,774,091
Tangible assets	12	1,841	2,632
Investments	13	382,132	1,875
		<u>1,340,941</u>	<u>1,778,598</u>
Current assets			
Debtors: amounts falling due within one year	15	7,859,480	22,036,370
Bank and cash balances		674,905	1,274,983
		<u>8,534,385</u>	<u>23,311,353</u>
Creditors: amounts falling due within one year	16	<u>(16,218,323)</u>	<u>(40,566,214)</u>
Net current liabilities		<u>(7,683,938)</u>	<u>(17,254,861)</u>
Total assets less current liabilities		<u>(6,342,997)</u>	<u>(15,476,263)</u>
Creditors: amounts falling due after more than one year	17	(4,942,943)	(4,610,527)
		<u>(11,285,940)</u>	<u>(20,086,790)</u>
Net liabilities		<u><u>(11,285,940)</u></u>	<u><u>(20,086,790)</u></u>
Capital and reserves			
Called up share capital	18	500,000	500,000
Profit and loss account		(11,785,940)	(20,586,790)
		<u><u>(11,285,940)</u></u>	<u><u>(20,086,790)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Kawther Zouari
 Director
 Date: 28 July 2022

DocuSigned by:

Kawther Zouari

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The notes on pages 12 to 30 form part of these financial statements.

VERMEG SYSTEMS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 31 December 2019	500,000	(19,893,848)	(19,393,848)
Comprehensive income for the year			
Loss for the year	-	(692,942)	(692,942)
Total comprehensive income for the year	-	(692,942)	(692,942)
At 31 December 2020	500,000	(20,586,790)	(20,086,790)
Comprehensive income for the year			
Profit for the year	-	8,800,850	8,800,850
Total comprehensive income for the year	-	8,800,850	8,800,850
At 31 December 2021	500,000	(11,785,940)	(11,285,940)

The notes on pages 12 to 30 form part of these financial statements.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

Vermeg Systems Limited 'the Company' is a private Company limited by shares, registered, incorporated and domiciled in England and Wales, and incorporated in England. The Company's registered office is 17 Bevis Marks, 3rd Floor, London, EC3A 7LN.

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 Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Vermeg Management Plc.

The results of Vermeg Management Plc are available from The Company Secretary, 17 Bevis Marks, 3rd Floor, London, EC3A 7LN.

Management have considered the potential impact of Covid-19 and do not consider it to affect the Company's ability to continue as a going concern.

The following principal accounting policies have been applied:

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- 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.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.3 Revenue**

The recognition of revenue depends on the type of income: To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Licence income

For long-term projects which do not include the upfront delivery of immediately usable software, revenue is recognised on both the consultancy and initial licence elements in line with the estimated percentage of completion of the project. This estimation is based upon the views of the consultants implementing the projects as to the proportion of the project completed and this is supported by data from a time recording system. Annual licence / usage fees and maintenance revenue invoiced simultaneously with the initial licence, but considered to relate to the period when the licence is deemed to be live, is deferred in its entirety until the live date, following which it is released to profit in equal daily installments over the duration of the relevant licence or maintenance. For other projects which do include the upfront delivery of immediately usable software, revenue is recognised on a percentage of completion basis.

Customisation income

Recognised over the delivery of the customisation.

Maintenance income

Recognised evenly over the term of the maintenance contract.

Rental income

Recognised evenly over the term of the rental contract.

Data subscription income

Recognised evenly over the term of the data contract.

Training income

Recognised when the relevant courses are run.

Multiple element transactions are allocated to relevant revenue categories based on typical revenue splits for transactions which are contracted separately and by using industry best practice.

2.4 Investments in subsidiaries

Investments in subsidiaries are recorded at cost less any provision for permanent diminution in value.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.5 Foreign exchange**

Transactions in foreign currencies are translated into the functional currency of the individual entity at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Statement of comprehensive income in the period in which they arise.

2.6 Current and deferred taxation

Current tax is the tax currently payable based on taxable profit for the year using rates and laws enacted/substantively enacted at the reporting date.

Deferred taxes are calculated using the liability method on temporary differences using rates and laws enacted/substantively enacted at the reporting date. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to other comprehensive income or equity, in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

2.7 Pension costs

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the Statement of comprehensive income represents the contributions payable to the schemes in respect of the accounting period.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.8 Going concern**

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. At 31 December 2021 the Company had net liabilities of £11.3m (*30 December 2020: £20m*) with cash of £0.7m (*30 December 2020: £1.3m*). The Company has received confirmation from its ultimate parent undertaking, Vermeg Group B.V., of its intention to continue to provide financial and other support to the extent necessary to enable the Company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

Final result is positive and should remain positive in the future.

The directors have therefore prepared the accounts on a going concern basis.

2.9 Leased assets

The Company does not hold any finance leases.

All leases referred to are regarded as operating leases and the payments made under them are charged to the Statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

2.10 Deferred income

Where services are invoiced in advance that proportion of revenue relating to future periods is deferred.

2.11 Intangible assets - Research and development

Expenditure on research is recognised as an expense in the period in which it is incurred.

Development expenditure is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

2.12 Work in progress

Work in progress represents amounts earned on contracts but not yet invoiced. It is disclosed as accrued income in the Balance sheet.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.13 Financial instruments

Financial assets and liabilities are recognised on the Company's Balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company's financial instruments comprise cash, amounts receivable from group companies and trade and other payables.

Loans and receivables

Loans and receivables are initially stated at their fair value plus transaction costs, then subsequently at amortised cost using the effective interest method, if applicable, less impairment losses. Provisions against intra-group receivables are made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the assets' carrying amount and the present value of the estimated future cash flows.

Cash and cash equivalents

The Company manages short-term liquidity through the holding of cash and highly liquid interest-bearing deposits. Only deposits that are readily convertible into cash with maturities of three months or less from inception, with no penalty of lost interest, are shown as cash or cash equivalents.

Trade payables

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in the Statement of comprehensive income.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)**2.14 Impairment testing of intangible assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets with an indefinite useful life and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Assets that are subject to depreciation or amortisation are assessed at each Balance sheet date to determine whether there is any indication that an asset may be impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGI's). Non-financial assets that have been previously impaired are received at each Balance sheet date to assess whether there is any indication that the impairment loss recognised in prior periods may no longer exist or may have decreased.

2.15 Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance sheet and are subsequently recognised in the Statement of comprehensive income on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the Statement of comprehensive income in the periods in which the expenditure is recognised.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Key judgements in applying the entity's accounting policies and impairment

The Company's management makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a reasonable risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recognition of revenue

Revenue is recognised according to the accounting policies as stated and is dependent upon the type of income. Where contracts include different elements of revenue, those elements are recognised in line with those policies, with fair values attributed to each component part.

Judgement is used in the recognition of revenue from long-term projects.

If work is contracted on a fixed-cost basis, revenue is recognised in line with an estimation of the percentage of completion of the project. This estimation is based upon the views of the consultants implementing the projects as to the proportion of the project completed and this is supported by data from a time recording system. There is, however, an element of judgement involved that can impact the recognition of revenue. This process and individual project recognition is reviewed regularly to ensure that, whilst still subjective, the reflection of revenue is the best approximation possible.

Where projects include the up-front delivery of immediately usable software, the element of non-refundable licence revenue is recognised on receipt of the software by the customer, with other revenue being recognised in line with the performance of the contracted services. The unbundling of this contract revenue requires management to exercise judgement as to the relative fair values of the component parts of the contract.

Intangible asset impairment

An impairment loss is recognised if the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Capitalisation of development costs

Development costs are capitalised when all of the criteria (see accounting policy note above) have been met. Employees' time is recorded by product and activity and valued by reference to salaries and directly attributable overheads. Values by product are reviewed with reference to future profitability.

Some judgement is used to determine which activities constitute development that should be capitalised. Likewise, some judgement is required in assessing when a product has reached its intended use and hence when capitalisation of associated costs should cease. In addition, judgement is used to determine future profitability of the products and timing thereof.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Key judgements in applying the entity's accounting policies and impairment (continued)**Deferred tax assets**

The assessment of the probability of future taxable income on which deferred tax assets can be utilised is based on the Company's latest approved budget forecasts, which is adjusted for significant non-taxable income and expense. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in respect of the period for which future profits can be confidently foreseen. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4. Turnover

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom and Europe	4,808,194	5,713,481
United States of America and Canada	5,411,111	4,994,525
Asia	900,040	1,401,671
Rest of the world	253,458	-
	<u>11,372,803</u>	<u>12,109,677</u>

Timing of revenue recognition:

	31 December 2021 £	30 December 2020 £
Goods and services transferred over time	9,392,749	10,025,694
Goods and services transferred at a point in time	1,980,054	2,083,983
	<u>11,372,803</u>	<u>12,109,677</u>

5. Other operating income

	2021 £	2020 £
Government grants receivable	56,097	26,014
Waiver of intercompany debt	<u>2,642,808</u>	<u>-</u>

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Directors and employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	756,814	1,222,368
Social security costs	81,035	131,587
Pension costs	16,423	26,011
	<u>854,272</u>	<u>1,379,966</u>

None of the directors received pension benefits (2020: £Nil). £40,747 has been capitalised as development costs.

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Operational	<u>8</u>	<u>13</u>

7. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2021 £	2020 £
Intercompany charges	7,574,018	8,396,007
Depreciation of tangible fixed assets	791	791
Intangible asset Amortisation and impairment	1,419,969	1,885,403
Foreign exchange (gains)/loss	(1,196,210)	2,243,510
Government grants	<u>(56,097)</u>	<u>(26,014)</u>

The cost of the Company's audit was borne by the parent Company in the current and prior year.

Within operating income is £2,642,808 (2021: £Nil) in relation to the waiver of intercompany debt.

8. Interest receivable

	2021 £	2020 £
Intercompany interest receivable	<u>93,079</u>	<u>201,551</u>

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Interest payable and similar expenses

	2021 £	2020 £
Loans from group undertakings	<u>26,345</u>	<u>34,956</u>

10. Taxation

	2021 £	2020 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>(3,243,623)</u>	<u>-</u>
Total deferred tax	<u>(3,243,623)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(3,243,623)</u>	<u>-</u>

R&D tax credits

In 2021, the Company had received £Nil cash and R&D tax credit. An amount of £56,096 has been accrued on 31 December 2021 for the year 2021 (2020: £61,171). As for all companies that have received these credits, the amounts and those received in previous years are subject to potential future HMRC claw back.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Taxation (continued)**Factors affecting tax charge/(credit) for the year**

The tax assessed for the year is different than (2020: *different than*) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	<u>5,557,227</u>	<u>(692,942)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	1,055,873	(131,659)
Effects of:		
Expenses not deductible for tax purposes	6,544	4,067
Tax credits R&D expenditure	-	(59,786)
Deferred tax not recognised	(3,803,906)	216,461
Waiver of intercompany balances	(502,134)	(29,083)
Total tax charge for the year	<u><u>(3,243,623)</u></u>	<u><u>-</u></u>

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Intangible assets

	Product Development Costs £
Cost	
At 31 December 2020	25,737,213
Additions - external	602,846
At 31 December 2021	<u>26,340,059</u>
Amortisation	
At 31 December 2020	23,963,122
Charge for the year on owned assets	1,419,969
At 31 December 2021	<u>25,383,091</u>
Net book value	
At 31 December 2021	<u><u>956,968</u></u>
At 30 December 2020	<u><u>1,774,091</u></u>

Capitalised product development costs reflect the expenditure attributable to the development of the Company's software product suite, as set out in the Company's accounting policy. The Company's development costs relate to the Company's core product the COLLINE®.

Amortisation is over a five-year period from the time when each separately identifiable intangible asset within the suite of products reaches its intended use by management.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets

	Computer equipment £
Cost or valuation	
At 31 December 2020	3,954
At 31 December 2021	3,954
Depreciation	
At 31 December 2020	1,322
Charge for the year on owned assets	791
At 31 December 2021	2,113
Net book value	
At 31 December 2021	1,841
At 30 December 2020	2,632

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 31 December 2020	1,875
Additions	380,257
At 31 December 2021	382,132

The subsidiary undertakings at the end of the year were Vermeg Systems Inc., a Company incorporated in Delaware U.S.A, Lombard Risk Systems Limited, incorporated in Hong Kong and MagikForms incorporated in Delaware.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Proportion of voting rights	Ordinary share capital held
Vermeg Systems Inc	Inc: 205 Lexington Avenue, New York, NY 10016	100%	100%
Lombard Risk Systems Limited	Asia Pacific: Suite 2, 210 George St, Sydney, NSW 2000	100%	100%
Magikforms	5601 Colleyville Blvd, Colleyville, TX 76034 USA	100%	100%

14. Deferred taxation

	2021 £
Charged to profit or loss	3,243,623
At end of year	3,243,623

The deferred tax asset is made up as follows:

	31 December 2021 £	30 December 2020 £
Fixed asset timing differences	(152,380)	-
Short term timing differences	275	-
Losses and other deductions	3,395,728	-
	3,243,623	-

This asset is expected to be utilized within 5 years.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Debtors

	31 December 2021 £	30 December 2020 £
Trade debtors	530,187	1,756,819
Amounts owed by group undertakings	3,769,494	19,147,849
Other debtors	117,268	250,514
Prepayments and accrued income	166,456	881,188
Tax recoverable	32,452	-
Deferred taxation	3,243,623	-
	<u>7,859,480</u>	<u>22,036,370</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand, although not expected to be received within one year. The recoverability of the group debtors is dependent upon the group returning a profit sufficient to cover the overheads held in the holding Company.

16. Creditors: Amounts falling due within one year

	31 December 2021 £	30 December 2020 £
Bank overdrafts	-	11,612
Trade creditors	74,634	39,030
Amounts owed to group undertakings	15,531,413	39,654,604
Other taxation and social security	19,802	29,045
Other creditors	485,753	746,951
Accruals and deferred income	106,721	84,972
	<u>16,218,323</u>	<u>40,566,214</u>

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

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Creditors: Amounts falling due after more than one year

	31 December 2021 £	30 December 2020 £
Accruals and deferred income	<u>4,942,943</u>	<u>4,610,527</u>

18. Share capital

	31 December 2021 £	30 December 2020 £
Allotted, called up and fully paid		
5,000,000 (2020: 5,000,000) Ordinary shares of £0.10 each	<u>500,000</u>	<u>500,000</u>

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

19. Leasing commitments

At 31 December 2021 and 30 December 2020 the Company had no annual commitments under non-cancellable operating leases.

20. Capital commitments

The Company had no material capital commitments at 31 December 2021 or 30 December 2020.

21. Contingent liabilities

The Company has no contingent liabilities to report.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

22. Financial risk management and financial instruments

Vermeg Systems' multi-national operations expose it to financial risks that include market risk, credit risk, operational risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses all those market risk factors that impact the value of the Company's assets and liabilities and the expected value in base currency of the Company's revenues and costs. The main risk factors are currency risk, inflation risk, and interest rate risk. The Company's policies for managing these are as follows:

a) Currency risk

The Company is exposed to transactional foreign exchange risk. Overall the firm has receivables in Euros and US Dollars in excess of its payables. Although through its own software the Company has access to sophisticated models for the management of foreign exchange risk, there has been no use of foreign exchange derivatives to manage this position on the basis that historically the overall effect on the Profit and loss account has not been large enough to warrant this activity.

b) Inflation risk

The Company has exposure to the inflationary effect of operating in countries in which it operates, offset by its ability to raise prices in those countries in which it sells. The Company's cost base is mainly exposed to the inflation rates and changes in payroll taxes in the United Kingdom. The inflation rate for salaries in specialised parts of the financial sector is often different from the relevant country's overall rate of wage inflation. No specific hedging of inflation risk has been carried out.

c) Interest rate risk

Interest rate risk arises primarily on the investment of the Company's cash balances or on its borrowings and the present value of the Company's receivables. The Company finances its operations through a mixture of retained cash reserves. When the Company is a net depositor of funds, the Company stands to gain if interest rates rise and to lose if interest rates fall and vice versa when the Company is a net borrower of funds.

d) Credit risk

Most of the Company's business is with banks, asset management firms and other high quality companies, and the Company's bad debt experience over 15 years has been negligible. The Company consequently has not considered taking out credit insurance and is not likely to do so in the foreseeable future. Deposits are placed with high quality banks.

e) Operational risk

The Company has numerous operational risks, ranging from control over bank accounts to its processes for delivering and supporting software to a required level of quality and on a timely basis, and retention and recruitment of key personnel. A key risk, as for any Company, is the reputation risk that might arise from poor execution or non delivery or late delivery of a high profile project or breach of client confidentiality for sensitive data.

f) Liquidity risk

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely as well as profitably.

VERMEG SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. Ultimate parent company and control

The Company is controlled by its immediate parent Company Vermeg Management Limited, a Company incorporated in England and Wales, by virtue of its 100% shareholding in Vermeg Systems Limited. The ultimate parent Company of Vermeg Management Limited is Vermeg Group B.V. a Company incorporated in Netherlands.

24. Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of the Vermeg Group B.V. have not been disclosed. There were no other related party transactions.

25. Subsequent events

We are exposed to risks related to the Corona virus and the political situation in Europe.

We are monitoring closely the development of these events and anticipating all actions to ensure the business continuity and mitigate the risks on our operations. In the meantime, we also focus on the safety and the wellbeing of our people. All employees have been working from home for more than two years and this has proven to be very efficient.

We have no customer nor provider in Russia or its surrounding countries.

No other events have occurred since balance sheet date, which would change the financial position of the group and which would require adjustment of or disclosure in the financial statements now presented.