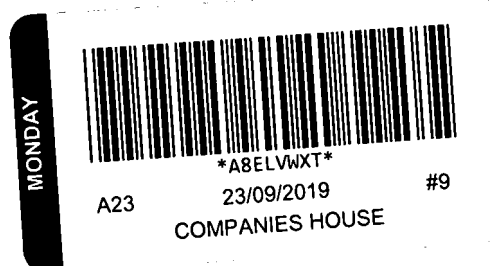


Patsystems (UK) Limited

Strategic report, directors' report and financial statements for
the financial year ended 31 December 2018



STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the financial year ended 31 December 2018

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PATSYSTEMS (UK) LIMITED

COMPANY INFORMATION

DIRECTORS

S. Oliviero (Italian)
C. Clinch (Irish)

SECRETARY

A. Woods (Australian)

REGISTERED OFFICE

3rd Floor
One New Change,
London,
EC4M 9AF,
United Kingdom.

REGISTERED NUMBER OF INCORPORATION 3086310

AUDITOR

Ernst & Young,
Chartered Accountants,
Ernst & Young Building,
Harcourt Centre,
Harcourt Street,
Dublin 2,
Ireland.

BANKER

Barclays Bank plc,
1 Churchill Place,
London,
E14 5HP,
United Kingdom.

STRATEGIC REPORT

for the financial year ended 31 December 2018

The directors present herewith their strategic report and audited financial statements for Patsystems (UK) Limited (the "Company") for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company is the development, distribution and support of software enabling electronic trading of financial products on global trading exchanges. The Company will continue to be a supplier of computer software and related development and consulting services.

Financial Performance Indicators

The Company's key measures of financial performance are Revenue, Profit on Ordinary Activities after Taxation, and Net Cash Flow.

Revenue

The Company's total revenue was £5.90 million in 2018 and £7.17 million in 2017. The decrease in total revenue for 2018 as compared to 2017 is approximately £1.27 million or 17.71%.

Profit on Ordinary Activities after Taxation

Profit on ordinary activities after taxation was £2.30 million in 2018, and a loss of £2.97 million in 2017. The increase for 2018 as compared to 2017 is £5.27 million or 177.44%.

Net Cash Flow

The Company's cash balance decreased by £0.54 million in 2018 compared to a decrease of £0.32 million in 2017.

DIVIDENDS

The dividend paid in 2018 was £Nil (2017: £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which the Company faces are:

- Potential defects in the Company's products or failure to provide services for the Company's customers could cause the Company's revenue to decrease, cause the Company to lose customers and damage the Company's reputation;
- The Company has a limited ability to protect its intellectual property rights, and others could obtain and use the Company's technology without authorisation; and
- The Company may be exposed to significant liability if it infringes the intellectual property or proprietary rights of others.

The Company has insurances, business policies and organisational structures to limit these risks and uncertainties. The board of directors and management regularly review, reassess and proactively limit the associated risks.

On behalf of the Directors



C. CLINCH

Director

Date: 13 September 2019

DIRECTORS' REPORT
for the financial year ended 31 December 2018

The directors present herewith their report and audited financial statements ("financial statements") for the financial year ended 31 December 2018.

DIRECTORS AND THEIR INTERESTS

The names of the directors who served at any time during the financial year are as listed on page 2.

The interests of the directors and Company Secretary in shares of the Company or other group companies are set out in note 18 to the financial statements.

RESEARCH AND DEVELOPMENT

Research and development is concentrated on the development of solutions for trading, trade processing and related middleware. The capitalised development costs are shown in note 10.

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events since the Statement of Financial Position date.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 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 the affairs of the Company as at the financial year end date and of the profit or loss of the Company for the financial year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

DIRECTORS' REPORT

for the financial year ended 31 December 2018 (Continued)

ENVIRONMENTAL MATTERS

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

GOING CONCERN

At the time of approving the financial statements, the directors have considered the circumstances of the Company and the board consider it reasonable to adopt the going concern basis in preparing the financial statements.

AUDITOR

The auditor, Ernst & Young, Chartered Accountants, have indicated their willingness to continue in office. The directors dispensed with the requirement to hold an Annual General Meeting and to appoint an auditor annually as the Company is a wholly owned subsidiary.

On behalf of the Directors



C. CLINCH

Director

Date: 13 September 2019

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

Opinion

We have audited the financial statements of Patsystems (UK) Limited ('the Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept; or
- 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.

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

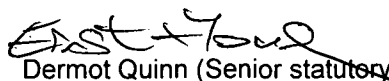
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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


Dermot Quinn (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Dublin

Date: 16 September 2019

PATSYSTEMS (UK) LIMITED**STATEMENT OF COMPREHENSIVE INCOME**
for the financial year ended 31 December 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
Revenue	2	5,895,406	7,167,217
General and administrative expenses		(3,512,172)	(10,076,618)
Operating profit / (loss)	3	2,383,234	(2,909,401)
Finance income	7	230,866	194,195
Finance expenses	8	(46,782)	(46,023)
Profit / (loss) on ordinary activities before taxation		2,567,318	(2,761,229)
Tax on profit / (loss) on ordinary activities	9	(266,960)	(208,560)
Profit / (loss) for the financial year		2,300,358	(2,969,789)
Other comprehensive income		-	-
Total comprehensive income / (loss)		2,300,358	(2,969,789)

PATSYSTEMS (UK) LIMITED

**STATEMENT OF FINANCIAL POSITION
at 31 December 2018**

	Note	2018 £	2017 £
NON-CURRENT ASSETS			
Intangible assets	10	2,540,567	3,071,575
Tangible assets	11	-	9,306
Deferred tax asset	9	272,357	236,324
		<u>2,812,924</u>	<u>3,317,205</u>
CURRENT ASSETS			
Debtors – amounts falling due within one year	12	23,917,280	21,955,258
Cash at bank and in hand		201,926	744,223
		<u>24,119,206</u>	<u>22,699,481</u>
CREDITORS – amounts falling due within one year	13	(9,405,521)	(10,486,455)
NET CURRENT ASSETS		<u>14,713,685</u>	<u>12,213,026</u>
NET ASSETS		<u>17,526,609</u>	<u>15,530,231</u>
CAPITAL AND RESERVES			
Called up share capital presented as equity	15	1,874	1,874
Share premium	15	3,961,366	3,961,366
Capital reserves		53,631	53,631
Retained earnings		13,509,738	11,513,360
SHAREHOLDERS' FUNDS		<u>17,526,609</u>	<u>15,530,231</u>

The financial statements were approved by the Board of Directors and authorised for issue on
13 September 2019. They were signed on its behalf by:



C. CLINCH
Director

PATSYSTEMS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

	Share capital £	Share premium £	Other Reserves £	Retained earnings £	Total equity £
Balance at 1 January 2017	1,874	3,961,366	53,631	14,483,149	18,500,020
Loss for the financial year	-	-	-	(2,969,789)	(2,969,789)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(2,969,789)	(2,969,789)
Balance at 31 December 2017	1,874	3,961,366	53,631	11,513,360	15,530,231
Effect of IFRS 9 transition adjustment – net of tax	-	-	-	(303,980)	(303,980)
Balance at 1 January 2018	1,874	3,961,366	53,631	11,209,380	15,226,251
Profit for the financial year	-	-	-	2,300,358	2,300,358
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,300,358	2,300,358
Balance at 31 December 2018	1,874	3,961,366	53,631	13,509,738	17,526,609

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. ACCOUNTING POLICIES

(a) General information

Patsystems (UK) Limited is a private limited company incorporated in England and Wales. The registered office address is 3rd floor, One New Change, London, EC4M 9AF. The principal activities of the Company are described in the Directors' Report. The ultimate parent undertaking is disclosed in note 18.

(b) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). The financial statements are prepared under the historical cost convention.

These financial statements present information about the Company as an individual undertaking and not about its group.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(d).

(c) Exemptions utilised under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 *Financial Instruments: Disclosures*
- Paragraphs 91 to 99 of IFRS 13 *Fair value measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, plant and equipment*;
 - iii. paragraph 118(e) of IAS 38 *Intangible assets* (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 *Presentation of financial statements*:
 - i. 10(d), (statement of cash flows),
 - ii. 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - iii. 16 (statement of compliance with all IFRS),
 - iv. 38A (requirement for minimum of two primary statements, including cash flow statements),
 - v. 38B-D (additional comparative information),
 - vi. 40A-D (requirements for a third statement of financial position),
 - vii. 111 (cash flow statement information), and
 - viii. 134-136 (capital management disclosures).
- IAS 7 *Statement of cash flows*

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(c) *Exemptions utilised under FRS 101 (continued)*

- Paragraph 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation)
- The requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of assets*.
- The second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 126 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements;

- (i) *Development costs*: The Company capitalises development costs for development projects in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, and the expected period of benefits.
- (ii) *Percentage of Completion (POC) estimates in Fixed Fee Service Revenue*: Revenue relating to the provision of services, on a fixed fee basis, is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. Estimates are made over the total expected labour hours based on project managers estimated and revised budgets, however circumstances may change which will impact on the hours to complete. Please see note 1(o).

(e) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(e) *Intangible assets (Continued)*

period or method, as appropriate, and are treated as changes in accounting estimates. The useful economic life of intangible assets is between 2 and 10 years.

(f) *Research and development costs*

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when all of the following criteria are satisfied:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised evenly over the period of expected future benefit. The current weighted average life of capitalised development costs is 9.0 years (2017: 8.9 years).

(g) *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at historical cost or valuation less accumulated depreciation and impairment losses. Cost comprises the amount paid and the costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	3 years
Computer equipment	3-5 years

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(h) *Impairment of non-financial assets*

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

(i) *Financial assets*

Initial recognition and measurement - the Company determines the classification of its financial assets on initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement - for purposes of subsequent measurement, financial assets held by the Company are classified as follows:

- Financial asset at amortised cost - The Company measures financial assets at amortised cost if both of the following conditions are met; (i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) based on the contractual terms the expected cashflows are solely payments of principal and interest on the outstanding principal. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Impairment of financial assets - For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivable and the economic environment.

The Company considers default to occur when contractual payments are outstanding greater than 360 days past due based on historical experience, however given the Company applies a simplified approach in calculating ECLs for trade receivables and contract assets, the definition of default has no impact on the quantification of the provision.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(i) *Financial assets (continued)*

Impairment of financial assets (continued)

Trade receivables are written off when there is no reasonable expectation of recovering the contractual cashflows, which is based on an assessment of the Company's intention and ability to successfully recover balances through enforcement activities.

Derecognition - a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(j) *Financial liabilities*

Initial recognition and measurement - the Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

Subsequent measurement - for purposes of subsequent measurement, financial liabilities held by the Company are classified as follows:

- Financial liabilities at amortised cost - after initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

Derecognition of financial liabilities - a liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the Statement of Comprehensive Income.

(k) *Cash at bank and in hand*

Cash at bank and in hand includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(l) *Provisions for liabilities*

A provision is recognised when the Company has legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(m) *Foreign currency translation*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in pound sterling (£), which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(n) *Taxation*

The tax expense for the financial year comprises current and deferred tax. Current tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, current tax is charged or credited to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted for the financial year.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax assets which are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(o) *Revenue recognition*

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Multi element arrangements and allocations of the transaction price

The Company derives revenue from licenses and subscriptions of its software and related professional services, which can include; assistance in implementation, customisation and integration, post-contract customer support, and other professional services. In the event that an agreement with the Company's customers is executed in close proximity to other agreements with the same customer, the Company evaluates whether the separate agreements have a single commercial objective and should be combined; if so, the agreements together are considered a single multi-element arrangement. The Company accounts for individual elements as distinct performance obligations when an element is separately identifiable from other elements in the agreement and if the customer can benefit from the separate element.

Where such multiple-element arrangements exist, the transaction price is allocated to each performance obligation based on the stand alone selling prices. The Stand-alone selling price of each performance obligation is determined based on the best estimate of the current market price of each of the performance obligations when sold separately.

In determining the total transaction price, the Company considers the fair value of the consideration, both fixed and variable, to which an entity expects to be entitled and adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer where the period of the financing is over one year.

Sale of and subscription to licenses

Revenue is recognised over the period of the related sales agreement, unless the license is distinct from the post contractual support ("PCS"), in which case the license revenue is recognised when the Company has no further obligations to perform in respect of the license, and to the extent that the license is considered a right of use of the software. Where the license is distinct and is considered a right to access IP, the license the revenue is taken over the license period. Where the license is separated from the PCS, the PCS revenue is recognised over the PCS period in the sales agreement.

Rendering of services

Revenue pursuant to time and material professional services contracts are recognised as services are performed. Revenues from fixed-fee professional services contracts are recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018 (Continued)

1. ACCOUNTING POLICIES (Continued)

(p) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

(q) New standards and interpretations

The following standards and amendments have been adopted for the first time in these financial statements:

- IFRS 9 Financial Instruments

The Company has adopted IFRS 9 with an initial application date of 1 January 2018. The comparative information continues to be reported under IAS 39 with differences arising from the adoption of IFRS 9 recognised in retained earnings. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies, with the exception of the application of ECLs as outlined in the accounting policies above. The reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9 is set out in note 12.

Standards issued but not yet effective up to the date of issuance of these financial statements are listed below. This listing is of relevant standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

- | | |
|--|----------------|
| • IFRS 16 – Leases | 1 January 2019 |
| • IFRIC 23 – Uncertainty over Income Tax Treatment | 1 January 2019 |

IFRS 16 - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17, with the exception of low value leases and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company plans to adopt IFRS 16 using the modified retrospective approach, without any adjustments to the comparative period. The detailed impact review along with quantification of this standard is currently under way; however, the Company anticipates that the impact of adoption of IFRS 16 will result in the recognition of a lease liability, a right of use asset. The impact on profit or loss will be to reduce the operating expenses and increase depreciation and interest expense for the Company.

IFRIC 23 – The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation specifically addresses the unit of account for tax uncertainties, and how an entity determines the quantification of the tax uncertainty. The assessment of impact of IFRIC 23 is currently under review, the Company however does not expect significant impact in respect of IFRIC 23.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)
2. REVENUE

Revenue was wholly derived from the Company's principal activity. It comprises the value of goods and services sold, excluding VAT. The Company has recognised the following amounts in relation to revenue in the Statement of Comprehensive Income. All revenue is derived from overseas customers as follows:

	2018 £	2017 £
Contracts with customers	5,895,406	7,167,217

The Company typically invoices clients annually in advance for all contract revenue streams except for professional service revenue, which can be either billed in advance or on satisfaction of milestones. As such, substantially all deferred revenue at the end of an accounting year will be recognised in the following year, with the exception of (i) contracts where revenue recognition is deferred due to uncertainty over payment and (ii) contracts with a significant financing component.

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. Contract liabilities primarily relate to the advance consideration received from customers for contracts, for which revenue will be recognised on satisfaction of performance obligations in the next reporting period.

	2018 £	2017 £
Accrued revenue at the beginning of the year	1,415,978	101,366
Deferred revenue at the beginning of the year	(123,111)	(1,690,052)
Net contract asset / (liability) at the beginning of the year	1,292,867	(1,588,686)
Invoices raised in the year	(6,878,970)	(4,285,664)
<i>Revenue recognised in the year:</i>		
Included in the contract liability at the beginning of the year	123,111	1,690,040
Relating to performance obligations satisfied in the current year	5,772,295	5,477,177
Bad debt provision recognised against contract liabilities	133,466	-
Accrued revenue at the end of the year	451,438	1,415,978
Deferred revenue at the end of the year	(8,669)	(123,111)
Net contract asset at the end of the year	442,769	1,292,867

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

3. OPERATING PROFIT / (LOSS)

	2018 £	2017 £
<i>Operating profit / (loss) is stated after (crediting) / charging:</i>		
Depreciation of property, plant and equipment	9,306	47,526
Amortisation of intangible assets	773,446	754,431
Foreign exchange (gains) / losses	(244,196)	852,849
	<u> </u>	<u> </u>

4. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £	2017 £
Audit of individual company accounts	23,316	22,972
Tax advisory services	2,550	2,550
	<u> </u>	<u> </u>
	<u>25,866</u>	<u>25,522</u>

5. DIRECTORS' REMUNERATION

The directors of the Company received no remuneration for services to the Company during the year (2017: £Nil).

6. STAFF COSTS

The company had no employees during the year (2017: Nil).

7. FINANCE INCOME

	2018 £	2017 £
Intercompany loan interest receivable	230,866	193,558
Other interest	-	637
	<u> </u>	<u> </u>
	<u>230,866</u>	<u>194,195</u>

PATSYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

8. FINANCE EXPENSES

	2018 £	2017 £
Intercompany loan interest payable	46,782	46,013
Other interest	-	10
	<u>46,782</u>	<u>46,023</u>

9. TAXATION

	2018 £	2017 £
<i>(a) Tax on profit / (loss) on ordinary activities</i>		
The tax charge is made up as follows:		
Current tax:		
UK corporation tax	250,902	-
Under provision in previous years	-	167,081
Total current tax	<u>250,902</u>	<u>167,081</u>
Deferred tax:		
Origination and reversal of temporary differences	16,058	34,179
Adjustment in respect of prior years	-	7,300
Tax on profit / (loss) on ordinary activities (note 9 (b))	<u>266,960</u>	<u>208,560</u>

(b) Factors affecting tax charge for the year:

The tax assessed for the year differs from that calculated by applying the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

9. TAXATION (Continued)

(b) *Factors affecting tax charge for the year (continued):*

	2018 £	2017 £
Profit / (loss) on ordinary activities before tax	2,567,318	(2,761,229)
Profit / (loss) on ordinary activities before tax multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 19.25%)	487,790	(531,537)
Effects of:		
Group relief surrendered / (claimed)	(179,801)	570,138
Effect of change in deferred tax rate	(8,153)	(4,422)
Adjustment in respect of prior years – corporation tax	-	167,081
Adjustment in respect of prior years – deferred tax	-	7,300
R&D tax credits	(32,876)	-
Tax on profit / (loss) on ordinary activities (note 9 (a))	266,960	208,560

(c) *Deferred tax asset*

	2018 £	2017 £
Amounts falling due after more than one year	272,357	236,324
Fixed asset temporary differences	220,266	236,324
Other temporary differences	52,091	-
	272,357	236,324
	2018 £	2017 £
At 1 January	236,324	277,803
Effect of IFRS 9 transition adjustment	52,091	-
At 1 January	288,415	277,803
Deferred tax credit in Statement of Comprehensive Income	(16,058)	(41,479)
At 31 December	272,357	236,324

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)
9. TAXATION (Continued)
(d) Circumstances affecting future tax charges:

In the Finance Act 2016, which was enacted on 15 September 2016, the UK Government confirmed that the main rate of corporation tax in the UK will be reduced from the 19% rate applying from 1 April 2017 to 17% from 1 April 2020. As a result, the deferred tax asset / liability being carried at 31 December 2018 relating to UK temporary differences has been recognised at the 17% rate.

10. INTANGIBLE ASSETS

	Software / licenses £	Development costs £	Total £
<i>Cost</i>			
At 1 January 2017	453,250	5,756,252	6,209,502
Additions	-	240,369	240,369
At 1 January 2018	453,250	5,996,621	6,449,871
Additions	-	242,438	242,438
At 31 December 2018	453,250	6,239,059	6,692,309
<i>Amortisation</i>			
At 1 January 2017	373,028	2,250,837	2,623,865
Charge for the year	33,792	720,639	754,431
At 1 January 2018	406,820	2,971,476	3,378,296
Charge for the year	29,336	744,110	773,446
At 31 December 2018	436,156	3,715,586	4,151,742
<i>Net book value</i>			
At 31 December 2018	17,094	2,523,473	2,540,567
At 31 December 2017	46,430	3,025,145	3,071,575
At 1 January 2017	80,222	3,505,415	3,585,637

PATSYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

11. TANGIBLE ASSETS

	<i>Computer equipment</i> £	<i>Fixtures and fittings & equipment</i> £	<i>Total</i> £
<i>Cost</i>			
At 1 January 2017	593,058	7,609	600,667
Disposals	(283,164)	-	(283,164)
At 1 January 2018	309,894	7,609	317,503
Disposals	(367)	-	(367)
At 31 December 2018	309,527	7,609	317,136
<i>Depreciation</i>			
At 1 January 2017	536,226	7,609	543,835
Charge for the year	47,526	-	47,526
Disposals	(283,164)	-	(283,164)
At 1 January 2018	300,588	7,609	308,197
Charge for the year	9,306	-	9,306
Disposals	(367)	-	(367)
At 31 December 2018	309,527	7,609	317,136
<i>Net book value</i>			
At 31 December 2018	-	-	-
At 31 December 2017	9,306	-	9,306
At 1 January 2017	56,832	-	56,832

12. DEBTORS

	<i>2018</i> £	<i>2017</i> £
<i>Amounts falling due within one year</i>		
Trade receivables	10,435	629,198
Prepayments	9,839	9,624
Accrued income	451,438	1,415,978
Other debtors	105	8,490
Amounts owed from group undertakings	14,357,327	14,155,073
Loan owed from group undertakings	5,936,794	2,679,422
Loan owed from immediate parent undertaking	3,151,342	3,057,473
	23,917,280	21,955,258

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)
12. DEBTORS (Continued)

Amounts and loans owed from group and parent undertakings are unsecured and receivable on demand. The interest rate charged on the intercompany loans is between 2.0% to 3.7% (note 7). The key terms of the loans are set out in note 14.

Expected credit losses on trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables and contract assets are regularly monitored. Trade receivables are non-interest bearing and are generally issued with credit terms of 0 – 30 days.

An impairment analysis is performed at each reporting date using the provision matrix below to measure the ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation of the ECL reflects reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Loss rates are based on actual credit loss experience over a period of at least 6 years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Set out below is the information about the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

As at 31 December 2018 (£):	<i>Current</i>	<i>30-360</i>	<i>Over 360</i>	<i>Total</i>
Expected credit loss rate %	0.1%	0.1%	88.8%	
Gross carrying amount	11,502	-	-	11,502
ECL	(1,067)	-	-	(1,067)
Net carrying amount	10,435	-	-	10,435
Past due but not impaired	-	-	-	-
As at 31 December 2017 (£):	<i>Current</i>	<i>30-360</i>	<i>Over 360</i>	<i>Total</i>
Gross carrying amount	891	245,928	382,379	629,198
Bad debt provision	-	-	-	-
Net carrying amount	891	245,928	382,379	629,198
Past due but not impaired	-	245,928	382,379	628,307

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

12. DEBTORS (Continued)

Expected credit losses on trade receivables

	2018 £
As at 1 January under IAS 39	-
Transitional adjustment on application of IFRS 9 – retained earnings	356,071
As at 1 January under IFRS 9	356,071
Provision for expected credit losses	(355,004)
As at 31 December	1,067

13. CREDITORS

	2018 £	2017 £
<i>Amounts due within one year</i>		
Trade creditors	11,175	1,380
Accruals	26,252	26,252
Deferred income	8,669	123,111
VAT payable	11,909	2,481
Amounts owed to group undertakings	3,311,679	4,759,515
Amounts owed to immediate parent undertaking	3,310,367	3,155,692
Loan owed to group undertaking	2,458,832	2,373,331
Other creditors	60,226	44,693
Corporate tax payable	206,412	-
	9,405,521	10,486,455

Amounts and loans owed to group and parent undertakings are unsecured and payable on demand. The interest rate charged on the loan due to the group undertaking is 2.0% (note 8). The key term of the loans is set out in note 14.

14. FINANCIAL INSTRUMENTS

Loans owed to related parties are unsecured and have the following year end carrying values:

Counterparty	Maturity	Interest	Loan Currency	Carrying Value 2018 £	Carrying Value 2017 £
<u>Loans receivable</u>					
Patsystems Limited	On demand	3.5%	GBP	3,151,342	3,057,473
ION Trading Ireland Limited	On demand	3.7%	USD	5,421,596	2,679,422
ION Trading UK Limited	On demand	2.0%	GBP	515,198	-
<u>Loans payable</u>					
Pattington Limited	On demand	2.0%	EUR	2,458,832	2,373,331

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

15. SHARE CAPITAL

	2018 £	2017 £
<i>Authorised</i>		
10,000,000 Ordinary Shares of £0.01 each	100,000	100,000

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

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
187,432 Ordinary Shares of £0.01 each	1,874	1,874

SHARE PREMIUM ACCOUNT

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

16. COMMITMENTS

There is a charge over the assets of the Company in favour of UBS Securities LLC in respect of loans repayable by other group companies.

17. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 5. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

18. PARENT UNDERTAKINGS, CONTROLLING PARTIES, DIRECTORS' AND SECRETARY'S INTERESTS

The Company's immediate parent undertaking and controlling party is Patsystems Limited, a company incorporated in the United Kingdom.

Consolidated financial statements, incorporating the Company are prepared by ION Investment Group Limited. Copies of these consolidated financial statements are available from the Companies Registration Office, Parnell House, Parnell Square, Dublin 1.

The Company's ultimate parent undertaking and controlling party is ITT S.à.r.l., a company incorporated in Luxembourg.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2018 (Continued)

18. PARENT UNDERTAKINGS, CONTROLLING PARTIES, DIRECTORS' AND SECRETARY'S INTERESTS (Continued)

Neither the directors, nor the Company Secretary, their spouses or minor children, held any interests in the shares of the Company, its parent undertaking or any other group undertaking, except as follows:

At the year end, Mr. A. Pignataro owned indirectly 100% (2017: 100%) of ITT S.à.r.l.

19. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events since the Statement of Financial Position date.

20. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved and authorised for issue the financial statements in respect of the financial year ended 31 December 2018 on 13 September 2019.