

Patsystems (UK) Limited

Strategic report, directors' report and financial statements for
the financial year ended 31 December 2015

FRIDAY



L5GMZELU

LD3

30/09/2016

#151

COMPANIES HOUSE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the financial year ended 31 December 2015

| TABLE OF CONTENTS | PAGE |
|-----------------------------------|-------------|
| COMPANY INFORMATION | 2 |
| STRATEGIC REPORT | 3 |
| DIRECTORS' REPORT | 5 |
| INDEPENDENT AUDITOR'S REPORT | 7 |
| STATEMENT OF COMPREHENSIVE INCOME | 9 |
| STATEMENT OF FINANCIAL POSITION | 10 |
| STATEMENT OF CHANGES IN EQUITY | 11 |
| NOTES TO THE FINANCIAL STATEMENTS | 12 |

PATSYSTEMS (UK) LIMITED

COMPANY INFORMATION

| | |
|------------------------------------|--|
| DIRECTORS | S. Oliviero (Italian) C. Clinch (Irish) |
| SECRETARY | A. Woods (Australian) |
| REGISTERED OFFICE | Level 26 30 St. Mary Axe, London, EC3A 8EP. |
| REGISTERED NUMBER OF INCORPORATION | 3086310 |
| AUDITOR | Ernst & Young, Chartered Accountants, Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2, Ireland. |
| BANKERS | Barclays Bank plc, 1 Churchill Place, London, E14 5HP. |

STRATEGIC REPORT

for the financial year ended 31 December 2015

The directors present herewith their strategic report for the financial year ended 31 December 2015.

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.

During the financial year the Company transitioned from reporting under previous United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to Financial Reporting Standards 101 – Reduced Disclosure Framework ("FRS 101") and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking as set out in note 21, was notified and did not object to the use of the disclosure exemptions. The measurement and recognition differences arising on the adoption of FRS 101 are set out in note 22.

Financial Performance Indicators

The Company's key measures of financial performance are Revenue, EBITDA (earnings before interest, taxation, depreciation and amortisation), Profit on Ordinary Activities after Taxation, and Net Cash Flow.

Revenue

The Company's total revenue was £5.34 million in 2015 and £4.84 million in 2014. The increase in total revenue for 2015 as compared to 2014 is approximately £0.50 million or 10.33%.

EBITDA

Earnings before interest, taxation, depreciation and amortisation were £27.38 million in 2015 and £6.24 million in 2014. The increase in EBITDA for 2015 as compared to 2014 is £21.14 million or 338.78%. The increase in EBITDA is due to the write-off of a £22.46 million related party loan payable to Patsystems Holdings Limited.

Profit on Ordinary Activities after Taxation

Profit on ordinary activities after taxation was £24.63 million in 2015 and £4.20 million in 2014. The increase in profit on ordinary activities after taxation for 2015 as compared to 2014 is £20.43 million or 486.43%.

Net Cash Flow

The Company's cash balance increased by £927,933 in 2015 compared to an increase of £364,906 in 2014.

DIVIDENDS

The dividend paid in 2015 was £Nil (2014: £Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which the Company faces are:

- The Company currently derives most of its revenue from a limited number of products. As a result, a reduction in demand for, or sales of, these products would have a material adverse effect on the Company's business, financial condition and operating results;

STRATEGIC REPORT

for the financial year ended 31 December 2015 (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- 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;
- 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: 29th September 2016

DIRECTORS' REPORT

for the financial year ended 31 December 2015

The directors present herewith their report and audited financial statements ("financial statements") for the financial year ended 31 December 2015.

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 21 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 post Statement of Financial Position date events.

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 he is obliged to take as a director in order to make himself 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 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 assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2006.

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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

DIRECTORS' REPORT

for the financial year ended 31 December 2015 (Continued)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2006 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

The auditor, Ernst & Young, Chartered Accountants, has 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: 29th September 2016

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

We have audited the financial statements of Patsystems (UK) Limited for the financial year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and FRS 101 (Reduced Disclosure Framework).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or inconsistent with, the knowledge acquired by us in performing the audit. If we become aware of any material misstatements or uncertainties, we consider the implications for our report.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with FRS 101 (Reduced Disclosure Framework); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

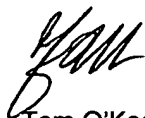
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company; or
- the parent company financial statements are not in agreement with the accounting records; 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.



Tom O'Keeffe
Senior Statutory Auditor
For and on behalf of Ernst & Young,
Chartered Accountants and Statutory Auditor

Dublin

Date: 29 September 2016

PATSYSTEMS (UK) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 December 2015**

| | <i>Note</i> | <i>2015</i> £ | <i>2014</i> £ |
|---|-------------|------------------|------------------|
| Revenue | 2 | 5,341,031 | 4,839,275 |
| Cost of sales | | (166,717) | (285,542) |
| | | <hr/> 5,174,314 | <hr/> 4,553,733 |
| General and administrative expenses | | (5,412,187) | (3,542,443) |
| Other income | | 4,276,071 | 4,501,008 |
| Write-off of loan payable | | 22,455,352 | - |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 26,493,550 | 5,512,298 |
| Interest receivable and similar income | 7 | 93,868 | 93,868 |
| Interest payable and similar charges | 8 | (1,152,725) | (303,474) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 25,434,693 | 5,302,692 |
| Tax on profit on ordinary activities | 9 | (810,688) | (1,101,328) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | 24,624,005 | 4,201,364 |
| Other comprehensive income | | - | - |
| | | <hr/> | <hr/> |
| Total comprehensive income | | <hr/> 24,624,005 | <hr/> 4,201,364 |

PATSYSTEMS (UK) LIMITED

**STATEMENT OF FINANCIAL POSITION
at 31 December 2015**

| | Note | 2015 £ | 2014 £ |
|---|------|--------------------|---------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 4,317,359 | 3,597,379 |
| Tangible assets | 11 | 140,907 | 364,728 |
| Deferred tax asset | 12 | 1,366,327 | 2,157,591 |
| | | <u>5,824,593</u> | <u>6,119,698</u> |
| CURRENT ASSETS | | | |
| Debtors – amounts falling due within one year | 12 | 17,960,407 | 18,540,970 |
| Cash at bank and in hand | | 1,731,948 | 804,015 |
| | | <u>19,692,355</u> | <u>19,344,985</u> |
| CREDITORS (amounts falling due within one year) | 13 | <u>(2,226,262)</u> | <u>(2,653,775)</u> |
| NET CURRENT ASSETS | | <u>17,466,093</u> | <u>16,691,210</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>23,290,686</u> | <u>22,810,908</u> |
| CREDITORS (amounts falling due after more than one year) | 13 | <u>(9,153,941)</u> | <u>(33,376,306)</u> |
| Provisions | 14 | <u>(892,604)</u> | <u>(814,466)</u> |
| NET ASSETS/(LIABILITIES) | | <u>13,244,141</u> | <u>(11,379,864)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital presented as equity | 17 | 1,874 | 1,874 |
| Share premium | | 3,961,366 | 3,961,366 |
| Capital reserves | | 53,631 | 53,631 |
| Retained earnings | | 9,227,270 | (15,396,735) |
| SHAREHOLDERS' FUNDS/(DEFICIT) | | <u>13,244,141</u> | <u>(11,379,864)</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 29th September 2016. 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 2015

| | <i>Note</i> | <i>Share capital £</i> | <i>Share premium £</i> | <i>Capital contribution £</i> | <i>Retained earnings £</i> | <i>Total equity £</i> |
|--|-------------|--------------------------------|--------------------------------|---------------------------------------|------------------------------------|-------------------------------|
| Balance as at 1 January 2014 – as previously stated | | 1,874 | 3,961,366 | - | (21,652,533) | (17,689,293) |
| Adjustments on conversion to FRS 101 | 22 | - | - | 53,631 | 2,054,434 | 2,108,065 |
| Balance as at 1 January 2014 – restated | | 1,874 | 3,961,366 | 53,631 | (19,598,099) | (15,581,228) |
| Profit for the financial year | | - | - | - | 4,201,364 | 4,201,364 |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive income for the financial year | | - | - | - | 4,201,364 | 4,201,364 |
| Balance at 31 December 2014 | | 1,874 | 3,961,366 | 53,631 | (15,396,735) | (11,379,864) |
| Profit for the financial year | | - | - | - | 24,624,005 | 24,624,005 |
| Other comprehensive income | | - | - | - | - | - |
| Total comprehensive income for the financial year | | - | - | - | 24,624,005 | 24,624,005 |
| Balance at 31 December 2015 | | 1,874 | 3,961,366 | 53,631 | 9,227,270 | 13,244,141 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. ACCOUNTING POLICIES

(a) 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(c).

(b) 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*
- 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)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

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

- 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), 123(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of assets*.

(c) *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) *Conversion of GAAP*: There are a number of judgements required as part of a FRS 101 transition. See further details in note 22.

(d) *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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

(d) *Research and development costs (continued)*

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 10 years.

(e) *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:

| | |
|------------------------|--------------------------|
| Leasehold improvements | over the period of lease |
| Fixtures and fittings | 3 years |
| 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.

(f) *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.

(g) *Financial assets*

Initial recognition and measurement - the Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

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

- Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 - the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. Impairment losses are only incurred if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset and had an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

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.

(h) 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 loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement - the measurement of financial liabilities depends on their classification, as described below:

- Loans and borrowings - 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 through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

(h) *Financial liabilities (continued)*

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.

(i) *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.

(j) *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.

(k) *Leases*

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern of the users benefit. The Company had no finance leases.

(l) *Pension costs*

The Company operates a defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income and recognised as employee benefit expenses as they become payable in accordance with the rules of the scheme.

(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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

(m) *Foreign currency translation (continued)*

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 profit or loss.

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.

(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 are linked, and, if so, the agreements together are considered a single multi-element arrangement. Where such multiple-element arrangements exist, the amount of revenue allocated to each distinct element is based upon the relative fair values of the various distinct elements. The fair values of each element are determined based on the

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

1. ACCOUNTING POLICIES (continued)

(o) *Revenue recognition (continued)*

best estimate of the current market price of each of the elements when sold separately. In determining the total transaction price, the Company 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.

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.

(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.

2. REVENUE

Revenue was wholly derived from the Company's principal activity wholly undertaken in the United Kingdom. It comprises the value of goods and services sold, excluding VAT.

A spilt of revenue earned on a geographical basis would be considered seriously prejudicial to the Company and hence has not been disclosed in accordance with Schedule 1 Part 3 Section 68(5) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

3. OPERATING PROFIT

| | 2015 £ | 2014 £ |
|---|-----------------------------|-----------------------------|
| <i>Operating profit is stated after charging / (crediting):</i> | | |
| Depreciation of property, plant and equipment | 179,456 | 228,474 |
| Amortisation of intangible assets | 704,217 | 494,487 |
| Operating lease rental costs – property | 71,209 | 78,125 |
| Foreign exchange loss/(gains) | (126,656) | (281,288) |
| Loss on disposal of asset | 114,624 | - |
| Write-off of loan payable* | (22,455,352) | - |
| | <u> </u> | <u> </u> |

*During 2015 the total outstanding intercompany loan balance due to Patsystems Holdings Limited was written off to the Statement of Comprehensive Income.

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:

| | 2015 £ | 2014 £ |
|--------------------------------------|-----------------------------|-----------------------------|
| Audit of individual company accounts | 22,000 | 22,000 |
| Tax advisory services | 6,300 | 6,300 |
| | <u> </u> | <u> </u> |
| | 28,300 | 28,300 |
| | <u> </u> | <u> </u> |

5. DIRECTORS' REMUNERATION

The directors of the Company during the year received no remuneration for services to the Company during the year.

6. STAFF COSTS

| | 2015 £ | 2014 £ |
|----------------------|-----------------------------|-----------------------------|
| Wages and salaries | 663,504 | 3,292,529 |
| Social welfare costs | 74,775 | 409,893 |
| Other pension costs | 6,303 | 104,896 |
| | <u> </u> | <u> </u> |
| | 744,582 | 3,807,318 |
| | <u> </u> | <u> </u> |

PATSYSTEMS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2015 (Continued)****6. STAFF COSTS (continued)**

| | 2015 £ | 2014 £ |
|--|----------------|------------------|
| <i>Staff costs are split as follows:</i> | | |
| Capitalised in the year | 658 | 159,678 |
| Expensed in the year | 743,924 | 3,647,640 |
| | <u>744,582</u> | <u>3,807,318</u> |

The average monthly number of employees during the period was as follows:

| | 2015 No. | 2014 No. |
|-----------------|-------------|-------------|
| Administration | 1 | 1 |
| Client services | 4 | 11 |
| Development | 6 | 38 |
| | <u>11</u> | <u>50</u> |

All employees were transferred to ION Trading UK Limited during the first half of 2015.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2015 £ | 2014 £ |
|---------------------------------------|---------------|---------------|
| Intercompany loan interest receivable | <u>93,868</u> | <u>93,868</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2015 £ | 2014 £ |
|------------------------------------|------------------|----------------|
| Intercompany loan interest payable | 932,750 | 37,067 |
| Other interest | 219,975 | 266,407 |
| | <u>1,152,725</u> | <u>303,474</u> |

PATSYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

9. TAX

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| (a) <i>Tax on profit on ordinary activities</i> | | |
| The tax charge is made up as follows: | | |
| Current tax: | | |
| UK corporation tax | 19,424 | 25 |
| Adjustment in respect of prior years | - | (2,695) |
| Total current tax | 19,424 | (2,670) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 557,329 | 1,070,000 |
| Adjustment in respect of prior years | 20,195 | 33,998 |
| Effect of changes in tax rate on opening tax asset | 213,740 | - |
| Tax on profit on ordinary activities (note 9(b)) | 810,688 | 1,101,328 |

(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 20.25% (2014: 21.49%). The differences are explained below:

| | 2015 £ | 2014 £ |
|--|-------------|-----------|
| Accounting profit before tax | 25,434,693 | 5,302,692 |
| Accounting profit before tax multiplied by the standard rate of corporation tax in the United Kingdom of 20.25% (2014: 21.49%) | 5,150,525 | 1,139,549 |
| Effects of: | | |
| Items not deductible for tax purposes | 3,508 | - |
| Income not taxable | (4,546,440) | (16,079) |
| Fixed asset differences | 23,565 | 27,021 |
| Foreign tax credits | 19,424 | - |
| Effect of change in deferred tax rate | 144,180 | (81,391) |
| Adjustment in respect of prior years – corporation tax | - | (2,695) |
| Adjustment in respect of prior years – deferred tax | 20,195 | 33,998 |
| Other differences | (4,269) | 925 |
| Tax on profit on ordinary activities (note 9(a)) | 810,688 | 1,101,328 |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

9. TAX (Continued)

| (c) <i>Deferred tax asset / (liability)</i> | 2015 £ | 2014 £ |
|---|------------------|------------------|
| Amounts falling due after more than one year | 1,366,327 | 2,157,591 |
| | <u>2015</u> £ | <u>2014</u> £ |
| Fixed asset temporary differences | 52,801 | 84,590 |
| Short term temporary differences | 4,985 | (11,180) |
| Losses and other deductions | 1,308,541 | 2,084,181 |
| | <u>1,366,327</u> | <u>2,157,591</u> |
| | 2015 £ | 2014 £ |
| At 1 January | 2,157,591 | 3,261,589 |
| Deferred tax credit in Group statement of comprehensive income | (791,264) | (1,103,998) |
| At 31 December | <u>1,366,327</u> | <u>2,157,591</u> |

(d) Circumstances affecting future tax charges:

In Finance Act 2015, the UK government announced legislation setting the tax rate at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. Budget 2016 announced a further reduction of 1% to the previously announced rate from 18% to 17% with effect from 1 April 2020. The deferred tax asset / liability being carried at 31 December 2015 relating to UK temporary differences has been recognised at the 18% rate.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

10. INTANGIBLE ASSETS

| | Software/ licenses £ | Development costs £ | Total £ |
|------------------------|----------------------------|---------------------------|------------|
| <i>Cost</i> | | | |
| At 1 January 2015 | 348,869 | 4,533,159 | 4,882,028 |
| Additions | 296,119 | 1,128,078 | 1,424,197 |
| Disposals | (279,661) | - | (279,661) |
| At 31 December 2015 | 365,327 | 5,661,237 | 6,026,564 |
| <i>Depreciation</i> | | | |
| At 1 January 2015 | 316,904 | 967,745 | 1,284,649 |
| Charge for the year | 114,283 | 589,934 | 704,217 |
| Disposals | (279,661) | - | (279,661) |
| At 31 December 2015 | 151,526 | 1,557,679 | 1,709,205 |
| <i>Net book value:</i> | | | |
| At 31 December 2015 | 213,801 | 4,103,558 | 4,317,359 |
| At 1 January 2015 | 31,965 | 3,565,414 | 3,597,379 |

| | Software/ licenses £ | Development costs £ | Total £ |
|------------------------|----------------------------|---------------------------|------------|
| <i>Cost</i> | | | |
| At 1 January 2014 | 312,234 | 3,136,134 | 3,448,368 |
| Additions | 36,635 | 1,397,025 | 1,433,660 |
| At 31 December 2014 | 348,869 | 4,533,159 | 4,882,028 |
| <i>Depreciation</i> | | | |
| At 1 January 2014 | 294,788 | 495,374 | 790,162 |
| Charge for the year | 22,116 | 472,371 | 494,487 |
| At 31 December 2014 | 316,904 | 967,745 | 1,284,649 |
| <i>Net book value:</i> | | | |
| At 31 December 2014 | 31,965 | 3,565,414 | 3,597,379 |
| At 1 January 2014 | 17,446 | 2,640,760 | 2,658,206 |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)
11. TANGIBLE ASSETS

| | Computer equipment £ | Fixtures and fittings & equipment £ | Leasehold improvements £ | Total £ |
|-----------------------|----------------------------|--|--------------------------------|-------------|
| <i>Cost</i> | | | | |
| At 1 January 2015 | 1,153,614 | 128,079 | 315,699 | 1,597,392 |
| Additions | 70,259 | - | - | 70,259 |
| Disposals | (630,815) | (120,470) | (315,699) | (1,066,984) |
| At 31 December 2015 | 593,058 | 7,609 | - | 600,667 |
| <i>Depreciation</i> | | | | |
| At 1 January 2015 | 949,512 | 122,927 | 160,225 | 1,232,664 |
| Charge for the year | 136,433 | 2,173 | 40,850 | 179,456 |
| Disposal | (630,815) | (120,470) | (201,075) | (952,360) |
| At 31 December 2015 | 455,130 | 4,630 | - | 459,760 |
| <i>Net book value</i> | | | | |
| At 31 December 2015 | 137,928 | 2,979 | - | 140,907 |
| At 1 January 2015 | 204,102 | 5,152 | 155,474 | 364,728 |

| | Computer facilities £ | Fixtures and fittings & equipment £ | Leasehold improvements £ | Total £ |
|-----------------------|-----------------------------|--|--------------------------------|------------|
| <i>Cost</i> | | | | |
| At 1 January 2014 | 1,025,554 | 128,079 | 315,699 | 1,469,332 |
| Additions | 128,060 | - | - | 128,060 |
| At 31 December 2014 | 1,153,614 | 128,079 | 315,699 | 1,597,392 |
| <i>Depreciation</i> | | | | |
| At 1 January 2014 | 779,989 | 120,148 | 104,053 | 1,004,190 |
| Charge for the year | 169,523 | 2,779 | 56,172 | 228,474 |
| At 31 December 2014 | 949,512 | 122,927 | 160,225 | 1,232,664 |
| <i>Net book value</i> | | | | |
| At 31 December 2014 | 204,102 | 5,152 | 155,474 | 364,728 |
| At 1 January 2014 | 245,565 | 7,931 | 211,646 | 465,142 |

PATSYSTEMS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

12. DEBTORS

| | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| <i>Amounts falling due within one year</i> | | |
| Deferred tax | 1,366,327 | 2,157,591 |
| | <u>2015</u> £ | <u>2014</u> £ |
| <i>Amounts due after more than one year</i> | | |
| Trade receivables | 2,229,230 | 2,098,014 |
| Prepayments and accrued income | 274,279 | 402,861 |
| Other debtors | 1,276 | 25,234 |
| Amounts owed from fellow subsidiary undertakings | 12,773,622 | 13,256,535 |
| Loan owed from immediate parent undertaking | 2,682,000 | 2,682,000 |
| VAT receivable | - | 76,326 |
| | <u>17,960,407</u> | <u>18,540,970</u> |

Amounts owed from fellow subsidiary undertakings are trading balances which are unsecured and receivable on demand. See note 15 for details on the loan.

13. CREDITORS

| | 2015 £ | 2014 £ |
|--|------------------|-------------------|
| <i>Amounts due within one year</i> | | |
| Trade creditors | 59,491 | 62,263 |
| Accruals and deferred income | 2,153,776 | 2,506,170 |
| VAT payable | 12,995 | - |
| Other taxes and social security costs | - | 85,342 |
| | <u>2,226,262</u> | <u>2,653,775</u> |
| | <u>2015</u> £ | <u>2014</u> £ |
| <i>Amounts due after more than one year</i> | | |
| Amounts owed to fellow subsidiary undertakings | 4,252,470 | 3,623,025 |
| Amounts owed to immediate parent undertaking | 2,993,610 | - |
| Loans owed to fellow subsidiary undertakings | 1,907,861 | 2,024,660 |
| Loans owed to immediate parent undertaking | - | 27,728,621 |
| | <u>9,153,941</u> | <u>33,376,306</u> |

Amounts owed to related parties consist of both trading balances and loans received. Trade balances are unsecured and are payable on demand. The key terms of the loans are set out in note 15.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

14. PROVISIONS

| | 2015 £ | 2014 £ |
|------------------------------------|-----------|-----------|
| As at 1 January | 814,466 | 909,743 |
| Unwinding of discount on provision | (219,975) | (266,407) |
| Reassessment of provision | 298,113 | 171,130 |
| As at 31 December | 892,604 | 814,466 |

The Company entered into a contract with a customer during 2010, for which the costs of delivery exceeded the initial estimates, and as a result a provision has been raised to account for any further costs to the entity relating to this contract. The expected timeframe on the possible realisation of the provision, is over one year, hence the provision has been discounted to take effect of the time value of money. The provision is measured in US\$ and as such is subject to revaluation, as a monetary asset.

15. FINANCIAL INSTRUMENTS

| | 2015 £ | 2014 £ |
|--|-----------|------------|
| <i>Loans receivable</i> | | |
| Loans owed from immediate parent undertaking | 2,682,000 | 2,682,000 |
| <i>Loans payable</i> | | |
| Loans owed to fellow subsidiary undertakings | 1,907,861 | 2,024,660 |
| Loan owed to immediate parent undertaking | - | 27,728,621 |
| | 1,907,861 | 29,753,281 |

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

| Counterparty | Maturity | Interest | Loan Currency | Carrying Value 2015 £ | Carrying Value 2014 £ |
|-----------------------------|-------------|-------------|------------------|-----------------------------|-----------------------------|
| <i>Loans receivable</i> | | | | | |
| <i>Patsystems Limited</i> | On demand | 3.5% | GBP | 2,682,200 | 2,682,000 |
| <i>Loans payable</i> | | | | | |
| Pattington Limited | On demand** | 0% | EUR | 1,907,861 | 2,024,660 |
| Patsystems Holdings Limited | On demand | 4% + LIBOR* | GBP | - | 27,728,621 |

*The loan granted by Patsystems Holdings Limited to the Company was amended in January 2015 so that the interest charged on the loan increased from 0% to 4% plus LIBOR. This loan was subsequently settled in September 2015.

** The loan was originally due to mature on 31 December 2015 and is now repayable on demand. A fair value adjustment has been included for this loan, see note 22 for further details.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

16. OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | Land and buildings 2015 £ | Land and buildings 2014 £ |
|----------------------------|------------------------------------|------------------------------------|
| Within one year | - | 70,313 |
| In two to five years | - | - |
| After more than five years | - | - |
| | <u>-</u> | <u>70,313</u> |

17. SHARE CAPITAL

| | 31 December 2015 £ | 31 December 2014 £ |
|--|--------------------------|--------------------------|
| CALLED UP SHARE CAPITAL | | |
| Authorised | | |
| 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.

| | 31 December 2015 £ | 31 December 2014 £ |
|---------------------------------------|--------------------------|--------------------------|
| Allotted, called up and fully paid | | |
| 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.

CAPITAL CONTRIBUTION

The capital contribution reserve records amounts received as capital contributions from the parent and are included in the Company's total distributable reserves. The Company had a capital contribution reserve at the end of 2015 of £17.08 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

18. 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.

19. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge representing contributions payable by the Company to the scheme in 2015 amounted to £6,303 (2014: £104,896). Contributions totaling £Nil (2014: £27,734) were payable to the scheme at the year end or at the prior year end.

20. 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.

21. 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.

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 98.90% (2014: 98.08%) of ITT S.à.r.l.

22. FIRST TIME ADOPTION OF FRS 101

These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101. For periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

22. FIRST TIME ADOPTION OF FRS 101 (Continued)

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the accounting policies.

In preparing these financial statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2014, the Company's date of transition to FRS 101. The principal adjustments made by the Company in restating its previously published UK GAAP financial statements as at and for the year ended 31 December 2014 are as follows:

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

| | Note | Under UK GAAP £ | Impact of transition to FRS 101 £ | Under FRS 101 £ |
|--|--------------|-----------------------|--|-----------------------|
| Revenue | | 4,839,275 | - | 4,839,275 |
| Cost of Sales | | (285,542) | - | (285,542) |
| Gross profit | | 4,553,733 | - | 4,553,733 |
| General and administrative expenses | (i),(ii),(v) | (4,470,756) | 928,313 | (3,542,443) |
| Other income | (iii) | 4,594,876 | (93,868) | 4,501,008 |
| Operating profit | | 4,677,853 | 834,445 | 5,512,298 |
| Interest receivable and similar income | (iii) | - | 93,868 | 93,868 |
| Interest payable and similar charges | (iii) | (282,821) | (20,653) | (303,474) |
| Profit on ordinary activities before tax | | 4,395,032 | 907,660 | 5,302,692 |
| Tax on profit on ordinary activities | (iv) | (915,265) | (186,063) | (1,101,328) |
| Profit for the financial year | | 3,479,767 | 721,597 | 4,201,364 |
| Other comprehensive income | | - | - | - |
| Profit for the financial year | | 3,479,767 | 721,597 | 4,201,364 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

22. FIRST TIME ADOPTION OF FRS 101 (CONTINUED)

STATEMENT OF FINANCIAL POSITION

at 31 December 2014

| | Note | Under UK GAAP £ | Impact of transition to FRS 101 £ | Under FRS 101 £ |
|---|----------|-----------------------|--|-----------------------|
| FIXED ASSETS | | | | |
| Intangible assets | (i),(ii) | 31,965 | 3,565,414 | 3,597,379 |
| Tangible assets | | 364,728 | - | 364,728 |
| Deferred tax | (iv) | - | 2,157,591 | 2,157,591 |
| | | <u>396,693</u> | <u>5,723,005</u> | <u>6,119,698</u> |
| CURRENT ASSETS | | | | |
| Debtors – amounts falling due within one year | | 21,400,992 | (2,860,022) | 18,540,970 |
| Cash at bank and in hand | | 804,015 | - | 804,015 |
| | | <u>22,205,007</u> | <u>(2,860,022)</u> | <u>19,344,985</u> |
| CREDITORS (amounts falling due within one year) | (v) | (2,600,485) | (53,290) | (2,653,775) |
| NET CURRENT ASSETS | | <u>19,604,522</u> | <u>(2,913,312)</u> | <u>16,691,210</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>20,001,215</u> | <u>2,809,693</u> | <u>22,810,908</u> |
| CREDITORS (amounts falling due after more than one year) | (iii) | (33,396,275) | 19,969 | (33,376,306) |
| Provisions | | (814,466) | - | (814,466) |
| NET LIABILITIES | | <u>(14,209,526)</u> | <u>2,829,662</u> | <u>(11,379,864)</u> |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Called up share capital | | 1,874 | - | 1,874 |
| Share premium account | | 3,961,366 | - | 3,961,366 |
| Capital contribution | (iii) | - | 53,631 | 53,631 |
| Retained earnings | | (18,172,766) | 2,776,031 | (15,396,735) |
| SHAREHOLDERS' DEFICIT | | <u>(14,209,526)</u> | <u>2,829,662</u> | <u>(11,379,864)</u> |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015 (Continued)

22. FIRST TIME ADOPTION OF FRS 101 (CONTINUED)

The following notes explain the exemptions availed of and adjustments made to the Company's financial statements for the year ended 31 December 2014:

Exemptions:

FRS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements. The Company has applied the following exemptions:

The Company has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

Estimates

The estimates at 1 January 2014 and at 31 December 2014 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies).

Notes to the reconciliation of equity as at 31 December 2014 and total comprehensive income for the year ended 31 December 2014:

- (i) Development costs – Under FRS 101 development costs are required to be capitalised where they meet the capitalisation criteria. Previously under UK GAAP, the entity had an option to capitalise the development costs and chose not to capitalise them.
- (ii) Amortisation of intangible assets previously unrecognised – As set out in note (ii), development costs are capitalised that were not previously capitalised. These previously unrecognised intangible assets are then amortised over their useful lives.
- (iii) Intercompany loans – Under IFRS intercompany loans are recognised at fair value on the date of issuance, with any adjustments made between the initial proceeds and fair value being made to the cost of investment, capital contribution, dividends or in the Statement of Comprehensive Income depending on the relationship between the parties. Previously under UK GAAP, intercompany loans were recognised at the initial proceeds received or paid on the issue date. The interest amounts on intercompany loans for 2014 have been reclassified to match with the current year classification in the Statement of Comprehensive Income.
- (iv) Deferred tax – Under FRS 101 deferred tax is recognised on temporary differences between the tax and the book value of assets and liabilities. Under UK GAAP deferred tax is recognised on timing differences on a profit and loss basis. As a result there are a number of additional deferred tax assets and liabilities recognised under IFRS, the most significant of these being the recognition of a deferred tax liability on the difference between the tax and the book value of the intangible assets.
- (v) Holiday accruals – Under FRS 101 an entity is required to recognise an accrual for earned but not utilised holidays, under UK GAAP there was no specific requirements to do so. Hence at the transition date holiday accruals were recognised on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015 (Continued)

22. FIRST TIME ADOPTION OF FRS 101 (CONTINUED)

(vi) Statement of Cash Flows - The transition from UK GAAP to FRS 101 has not had a material impact on the Statement of Cash Flows.

23. EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant post Statement of Financial Position date events.

24. 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 2015 on 29th September 2016.