

Registered Number. 03764705

Applied Systems Europe Limited

Annual report and financial statements

For the year ended 31 December 2016



Applied Systems Europe Limited

Annual report and financial statements 2016

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Applied Systems Europe Limited

Officers and professional advisers

Director

R French

Company secretary

A Long

Registered office

5th Floor, Invicta House
Trafalgar Place
Brighton
East Sussex
BN1 4PF

Bankers

Barclays Bank Plc
22-24 Upper Marlborough Road
St Albans
Hertfordshire
AL1 3AL

Danske Bank
Donegall Square West
Belfast BT1 6SJ

Independent auditor

Deloitte (NI) Limited
Chartered Accountants and Statutory Auditor
Belfast
United Kingdom

Solicitors

Arthur Cox
10 Earlsfort Terrace
Dublin 2
D02 T380

Applied Systems Europe Limited

Strategic report

Principal activity

The principal activity of the Company during the year was the provision of software solutions and related services to the UK insurance industry

Review of the business

As a result of the acquisition of the Relay group by the Applied Systems Inc. group, a group reconstruction took place. On 30 September 2016, the Company acquired a 100% holding in Relay Software Limited for £32,943,615, the acquisition was satisfied in the form of intercompany loan notes. Subsequently then on the same day all the trade and assets of Relay Software Limited, were hived into the Company. As a result the £32,902,534 of the carrying value of the investment in Relay Software Limited has been reclassified to goodwill.

On 28 October 2016, the Company acquired a 100% investment in ASE Software Ireland Limited for £2,170k.

Revenue has grown from £5,478k to £7,884k with the merging of the previous trade of Relay Software Limited from 1st of October 2016. The Company has demonstrated continued profitability before, dividends, depreciation, amortisation and interest for the year of £1,243k against £438k in 2015.

The business has continued to significantly reduce attrition and is well placed for future growth in the UK market. The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. With the acquisition of the Relay group there will be synergies between the UK and Ireland businesses.

With solid investment in people and in infrastructure the Director is looking to the future with confidence.

The Company shows a net liability position due to an intercompany liability of £36m, there are steps in place post year end to strengthen the balance sheet with a capital contribution from its parent company, confirming the support of the Company's investors.

Key performance indicators

Given the nature and the size of the Company, the key performance indicators are its revenue and operating profit which are described in the review of the business section above.

Financial risk management objectives and policies and principal risks and uncertainties

The main commercial risk facing the Company is that Britain's exit from the European Union has created uncertainty however the trading occurs predominately in the United Kingdom which may mitigate this risk. The principal risks and uncertainties facing the Company are as follows:

Competitive Risk

Management believe that they are managing competitive risk within the industry and ensure they are fully up to date with any new entrants and with technological advances.

Legislative Risk

Management are involved in the day to day running of the business and keep themselves up to date with any legislative changes and use Company solicitors for compliance advice.

Business performance risk

Business performance risk is the risk that the Company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which it operates. This risk is managed through a number of measures: ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

Applied Systems Europe Limited

Strategic report (continued)

Financial risk management objectives and policies and principal risks and uncertainties (continued)

Financial Instrument Risk

The Company's principal financial instruments comprise cash, trade debtors and creditors, group indebtedness and certain other debtors and accruals. The main risks associated with these financial assets and liabilities are set out below.

Credit risk

Credit risk arises principally on third party derived revenues. The Company's policy is aimed at minimising such risk, and requires that deferred terms are granted only to customers who demonstrate an appropriate credit history and satisfy creditworthiness procedures.

Liquidity risk

The Company's liquidity risk is managed through daily assessment of required cash levels and resultant utilisation of various available facilities including overdrafts, letter of credit and guarantees. Capital expenditure is approved at group level and flexibility is maintained by retaining surplus cash in readily accessible bank accounts.

Interest rate risk

Since the Company has no significant external borrowings the directors do not believe that the Group has significant exposures arising from interest rate risks.

Market price risk

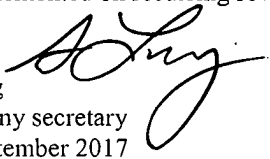
Due to the nature of the principal activity the directors do not believe that the Company has a significant exposure to market price risk.

Cyber risk

The Company is aware of the risk posed by cyber-attacks, which are increasing in the current climate, we regularly review our policies and security and train our staff on the risks posed. We also insure ourselves against cyber attacks

Future developments

The Director expects the level of activity to increase in the forthcoming year. This is as a result of a strategy to move brokers from server-based local area network ('LAN') systems to Application Service Provider ('ASP'), hosted in the Group's data centre, attracting ASP customers and generating higher monthly fees. A price increase is also due to be implemented on recurring revenue streams.


A Long
Company secretary
13 September 2017

Applied Systems Europe Limited

Director's report

The Director presents his annual report and the audited financial statements for the year ended 31 December 2016.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2-3 and form part of this report by cross-reference.

Going concern

The Director has a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis in preparing the annual financial statements.

Dividends

No dividend has been declared or is payable (2015: £nil) to the shareholder.

Director

The Director, who served throughout the year is as follows:

R French

Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte (NI) Limited were appointed auditor for the year and a resolution to reappoint Deloitte (NI) Limited will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



A. Long
Company secretary

13 September 2017

Registered office

5th Floor, Invicta House
Trafalgar House
Brighton
East Sussex
BN1 4FR

Applied Systems Europe Limited

Director's responsibilities statement

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 Director is 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. The Director is 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.

Independent auditor's report to the members of Applied Systems Europe Limited

We have audited the financial statements of Applied Systems Europe Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 director and auditor

As explained more fully in the Director's Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board'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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

Opinion 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Director's Report.

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

Dawn Johnston

Dawn Johnston FCA (Senior statutory auditor)
for and on behalf of Deloitte (NI) Limited
Chartered Accountants and Statutory Auditor
Belfast, United Kingdom

Date 15 September 2017

Applied Systems Europe Limited

Statement of comprehensive income For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	3	7,884	5,478
Cost of sales		(853)	(639)
Gross profit		7,031	4,839
Dividend Received		3,587	-
Administrative expenses		(12,565)	(4,592)
(Loss)/profit on ordinary activities before taxation	4	(1,947)	247
Tax on (loss)/profit on ordinary activities	6	2,649	111
Profit for the financial year		702	358

The notes on pages 10 to 20 form part of these financial statements.

All the results for the current and preceding financial year derive from continuing operations. Results in the current year include acquired operations, see note 9.

There were no items of other comprehensive income for the current and preceding financial years and therefore no components of other comprehensive income are shown.

Applied Systems Europe Limited

Balance sheet

At 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	7	1,128	1,050
Intangible assets	8	29,118	-
Investments	9	2,170	-
		<u>32,416</u>	<u>1,050</u>
Current assets			
Debtors	10	6,694	634
Cash at bank and in hand		4,259	772
		<u>10,953</u>	<u>1,406</u>
Creditors: amounts falling due within one year	11	<u>(43,645)</u>	<u>(3,453)</u>
Net current liabilities		<u>(32,692)</u>	<u>(2,047)</u>
Total assets less current liabilities		<u>(276)</u>	<u>(997)</u>
Creditors: amounts falling due greater one year	12	<u>(19)</u>	<u>-</u>
Net liabilities		<u>(295)</u>	<u>(997)</u>
Capital and reserves			
Called-up share capital	13	1,000	1,000
Profit and loss account	13	<u>(1,295)</u>	<u>(1,997)</u>
Equity and shareholder's deficit		<u>(295)</u>	<u>(997)</u>

The notes on pages 10 to 20 form part of these financial statements.

The financial statements of Applied Systems Europe Limited, registered number 03764705, were approved by the Board and authorised for issue on 13 September 2017.

They were signed on its behalf by:



R French
Director

Applied Systems Europe Limited

Statement of changes in equity At 31 December 2016

	Equity attributable to equity shareholders of the Company		
	Called-up Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	1,000	(2,355)	(1,355)
Profit for the financial year	-	358	358
At 31 December 2015	1,000	(1,997)	(997)
Profit for the financial year	-	702	702
At 31 December 2016	1,000	(1,295)	(295)

The notes on pages 10 to 20 form part of these financial statements.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Applied Systems Europe Limited is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Applied Systems Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Applied Systems Europe Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Applied Systems Europe Limited is consolidated in the financial statements of its parent, Applied UK Holdings I Limited, which may be obtained at Companies House. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the related contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet certain conditions are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Going concern

The Director has a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis in preparing the annual financial statements.

Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the required subsidiary at the date of the acquisition, and is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is amortised over its useful economic life which is 5 years,

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Details are set out in note 8.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Goodwill and other intangible assets (continued)

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Intellectual property	15 years
- Core technology	5 years
- Customer relationships	7 years
- Goodwill	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost together with incidental costs of acquisition, less depreciation, and when appropriate provision for impairment is made.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:

Leasehold improvements	Over the life of the lease
Fixtures and fittings	25%
Computer equipment	25%

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

1. Accounting policies (continued)

Impairment of assets (continued)

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Turnover

Turnover is stated net of Value Added Tax ('VAT') and trade discounts. Turnover from the sale of software licenses is recognised evenly over the term of the contract. Turnover from commissions earned and the supply of implementation, consulting and training and other services represents the value of services provided to the extent that there is a right to consideration as a result of performance of that service, and is recorded at the value of the consideration due.

Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Pension costs

Contributions payable in the year to the Company's defined contribution pension scheme are charged to the profit and loss account in respect of pension costs and other post-retirement benefits. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are translated into Pound sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are taken to the profit and loss account as they arise.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management consider the detailed criteria for the recognition of revenue from the rendering of services set out in FRS 102 Section 23 Revenue. When the outcome of a transaction involving the rendering of services can be estimated reliably, the Company shall recognise revenue associated with the transaction by reference to the stage of completion of the transaction at the end of the reporting. Following an assessment of the contracts at year end the director is satisfied that the recognition of the revenue in the current year is appropriate.

Key source of estimation uncertainty

Deferred revenue

Deferred revenue at the balance sheet date represents the value of the billed projects that have commenced at the balance sheet date, but are incomplete at that date. This amounted to £366k (2015: £383k). Management carefully measure the progress of delivery of projects and will recognise revenue based on the proportion of work completed at any time on a specific project-by-project basis.

Development expenditure

Initial capitalisation of development costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and expected period of benefits. The carrying value of development as at the year end is £544k (2015: £nil), see note 8.

Carrying value of investment, goodwill and other intangible assets

The Company is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverability of the amount. In assessing recoverability the Company has considered the future plans and forecasts of the Company, including the estimated cash flows. The carrying value of investments as at the year end is £2,170k (2015: £nil). Details of the investment are set out in note 9.

The carrying value of goodwill and other intangibles as at the year end is £29,118k (2015: £nil). Details of the goodwill are set out in note 8.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

3. Turnover

The entire turnover of the Company is generated from the research and development of computer software and the supply of this software to its customer network in a single business stream. No analysis of turnover by geographical area has been provided as, in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the Company.

4. (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/ (crediting):

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33	29
Depreciation of tangible fixed assets:		
- owned	399	184
Amortisation of intangibles	2,698	-
Amortisation of goodwill	3,717	-
Research and development	1,295	-
Operating lease rentals:		
- land and buildings	182	177
Severance costs	163	38
Loss on sale of fixed assets	-	7
	<u> </u>	<u> </u>

5. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Product management and development	91	33
Sales and customer support	39	19
Administration and finance	12	6
	<u> </u>	<u> </u>
	142	58

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	4,261	2,933
Social security costs	443	318
Pension costs (see note 16)	156	86
	<u> </u>	<u> </u>
	4,860	3,337

The director was remunerated through another member of the Group, and therefore received no remuneration from the Company for services provided during the year. This remains unchanged from the previous accounting year.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

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

The tax charge comprises:

	2016 £'000	2015 £'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(337)	(125)
Tax losses	(2,312)	
Effect of changes in tax rates	-	14
Total tax on (loss)/profit on ordinary activities	(2,649)	(111)

The applicable tax rate has changed following the substantive enactment of the Finance (No 2) Act 2015, which provided for the reduction in the main rate of corporation tax from 20% to 19% on 1 April 2017 and the substantive enactment of the Finance Act 2016, which provided for the reduction in the main rate of corporation tax from 19% to 17% on 1 April 2020.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit / (loss) on ordinary activities before taxation	(1,947)	247
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.25%):	(389)	50
Effects of:		
Expenses not deductible	1,107	2
Income not taxable	(718)	-
Movement in unprovided deferred tax asset	-	(52)
Recognition of previously unrecognised deferred tax asset	(2,649)	(111)
Total tax credit for year	(2,649)	(111)

Deferred tax

Due to the profitability of the Company following the hive up of Relay Software Limited and the forecasted increased performance of the business the Company has recognised a deferred tax asset in the year.

Recognised deferred tax asset is as follows:

	2016 £'000	2015 £'000
Timing differences – fixed assets	168	-
Losses	2,423	-
Deferred tax asset	2,591	-

In the prior year there were unrecognised tax assets of £2,793k.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

7. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2016	248	135	1,546	1,929
Additions	9	276	709	994
Disposals	-	-	-	-
At 31 December 2016	257	411	2,255	2,923
Depreciation				
At 1 January 2016	38	30	811	879
Additions	-	190	327	517
Charge for the year	25	48	326	399
Disposals	-	-	-	-
At 31 December 2016	63	268	1,464	1,795
Net book value				
At 31 December 2016	194	143	791	1,128
At 31 December 2015	210	105	735	1,050

Included in the above are £19k (2015:£ Nil) of assets held under finance leases.

8. Intangible assets

	Intellectual property £000	Development Costs £'000	Licences £'000	Core technology £'000	Customer relationships £'000	Purchased Goodwill £'000	Total £'000
Cost							
At 1 January 2016	-	-	-	-	-	-	-
Additions	1,550	2,696	121	-	-	128	4,495
Reclassification from investments (note 9)	-	-	-	5,452	8,905	18,545	32,902
At 31 December 2016	1,550	2,696	121	5,452	8,905	18,673	37,397
Depreciation							
At 1 January 2016	-	-	-	-	-	-	-
Additions	-	1,735	78	-	-	51	1,864
Charge for the year	37	417	19	953	1,272	3,717	6,415
At 31 December 2016	37	2,152	97	953	1,272	3,768	8,279
Net book value							
At 31 December 2016	1,513	544	24	4,499	7,633	14,905	29,118
At 31 December 2015	-	-	-	-	-	-	-

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

9. Investments

	2016 £'000	2015 £'000
Subsidiary undertakings	2,170	-

Subsidiary undertakings	Country of incorporation or principal business address	Registered office address	Principal activity	Holding	%
Relay Software Limited*	United Kingdom	The Gas Office, 12 Cromac Quay, Belfast, BT7 2JD	Provision of software solutions and related services to the UK Insurance Industry	Ordinary	100
ASE Software (Ireland) Limited*	Ireland	Unit 26 Block 3 Northwood Court Northwood Business Campus Santry, Dublin 9	Provision of software solutions and related services to the Irish Insurance Industry	Ordinary	100
Relay Wealthtrack Ireland Ltd		Unit 26 Block 3 Northwood Court Northwood Business Campus Santry, Dublin 9	Provision of software solutions and related services to the Irish Insurance Industry	Ordinary	100

*held directly

On 28 October 2016, the Company acquired a 100% investment in ASE Software Ireland Limited for £2,170k.

As a result of the acquisition of the Relay group by the Applied Systems Inc. group, a group reconstruction took place. On 30 September 2016, the Company acquired a 100% holding in Relay Software Limited for £32,943,615, the acquisition was satisfied in the form of intercompany loan notes. Subsequently then on the same day all the trade and assets of Relay Software Limited, were hived into the Company. As a result the £32,902,534 of the carrying value of the investment in Relay Software Limited has been reclassified to goodwill.

As a result of the hive up the Company recognised the following from the acquired operations of Relay Software Limited.

	Period from 1 October 2016 to 31 December 2016 £'000
Turnover	1,717
Cost of sales	(55)
Gross profit	1,662
Administrative expenses	(1,109)
Profit for the period	553

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

10. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	1,871	214
Deferred tax asset	2,591	111
Amounts owed by group undertakings	1,520	-
Corporation Tax	270	-
Prepayments and accrued income	442	309
	<u>6,694</u>	<u>634</u>

11. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	97	31
Amounts owed to group undertakings	40,982	2,307
Finance Lease Contracts	6	-
Other taxation and social security	290	303
Accruals and deferred income	2,126	812
Derivative financial instruments (see note 15)	144	-
	<u>43,645</u>	<u>3,453</u>

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Finance Lease contracts	19	-
	<u>19</u>	<u>-</u>

13. Called-up share capital and reserves

	2016 £'000	2015 £'000
Allotted, called-up and fully paid:		
2 (2015: 2) 'A' ordinary shares of £1 each	-	-
200,000 (2014: 200,000) 'B' ordinary shares of £1 each	200	200
799,998 (2014: 799,998) 'A' irredeemable preference shares	800	800
	<u>1,000</u>	<u>1,000</u>

Holders of class 'A' irredeemable preference shares are entitled in each fiscal year, at the discretion of the directors, to fixed non-cumulative preferential dividends at the rate of 8% per share out of the profits or surplus available for dividends, in preference and priority to any dividends on the 'A' and 'B' ordinary shares.

The 'A' ordinary and 'B' ordinary shares rank pari passu in all other respects save that holders of 'B' ordinary shares are not entitled to vote at general meetings of the Company except in relation to the rights of the 'B' ordinary shares.

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2016

14. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
- within one year	250	6	159	6
- between two and five years	934	2	634	6
- after five years	503	-	608	-
	<u>1,687</u>	<u>8</u>	<u>1,401</u>	<u>12</u>

15. Financial instruments

The following table details the forward foreign currency contracts outstanding at year end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value loss	
	2016 rate	2015 rate	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Sell Euro Less than 6 months	1.3329	-	1,124	-	144	-
					<u>144</u>	<u>-</u>

16. Retirement benefit schemes

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 charge represents contributions payable by the Company to the fund and amounted to £156k (2015: £86k). There were outstanding contributions of £20k (2015: £18k) payable at the year-end included within Note 11.

17. Related party transactions

Being a wholly-owned subsidiary, the Company has taken advantage of the exemption as conferred by FRS102 section 33, "Related Party Transactions", of the exemption not to disclose transactions with other members of the Group where parties to the transaction are wholly owned members of the Group.

18. Controlling party

The smallest group within which the financial statements of Applied Systems Europe Limited are included is Applied Holdings I Limited, a company incorporated in England & Wales.

The ultimate parent company and largest group within which the financial statements of Applied Systems Europe Limited are included is Hellman & Friedman, LLC, a limited liability company incorporated in the United States of America.