

Registered Number. 03764705

Applied Systems Europe Limited

Annual report and financial statements

For the year ended 31 December 2018



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Applied Systems Europe Limited

Annual report and financial statements 2018

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Applied Systems Europe Limited

Officers and professional advisers

Director

R Hobbs
M Budack

Company secretary

R Cohan Jr

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

Barclays Bank Plc
Donegall House
7 Donegall Square North
Belfast
BT1 5GB

Independent auditor

Deloitte (NI) Limited
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

Revenue has grown from £15,475k in the prior year to £16,106k in the current year. The Company has demonstrated continued earnings before interest, tax, depreciation, and amortisation (EBITDA) for the year of £730k against £3,476k in 2017. There is a loss before tax of £6,176k in the current year compared to £3,525k in the prior year due to the continued high level of amortisation and investment in personnel in the European business.

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 solid investment in people and in infrastructure the Directors are looking to the future with confidence.

Key performance indicators

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

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.

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.

Applied Systems Europe Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 Company 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 to minimise the impact of cyber attacks

Future developments

The Directors expect 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.



M Budack
Director

09/09/2019

— Applied Systems Europe Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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 pages 2-3 and form part of this report by cross-reference.

Going concern

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

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report on pages 2-3 and form part of this report by cross reference.

Research and development

The Company places considerable emphasis on research and development of existing and new products, focused primarily on extending competitive advantage. During the year research and development expenditure amounted to £2,168k (2017: £2,660k).

Dividends

No dividend has been declared or is payable (2017: £nil) to the shareholder.

Directors

The Directors who served throughout the year and up to the date of this report are as follows:

R French (resigned 31 May 2019);
R Hobbs (appointed 2 January 2019); and
M Budack (appointed 2 January 2019).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Director which were made during the year and remain in force at the date of this report.

Disclosure of information to 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.

Auditor

Deloitte (NI) Limited have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an Annual General Meeting.


M Budack
Director

09/09/2019

Applied Systems Europe Limited

Directors' responsibilities statement

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

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

In preparing these financial statements, the Directors are 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Applied Systems Europe Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Use of our report

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Dawn Johnston FCA (Senior statutory auditor)

for and on behalf of Deloitte (NI) Limited

Statutory Auditor

Belfast, United Kingdom

12/09/2019

Applied Systems Europe Limited

Statement of comprehensive income For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	16,106	15,475
Cost of sales		(2,608)	(1,744)
Gross profit		13,498	13,731
Administrative expenses		(19,674)	(17,256)
Loss on ordinary activities before taxation	4	(6,176)	(3,525)
Tax on loss on ordinary activities	6	(17)	(465)
(Loss)/Profit for the financial year		(6,193)	(3,990)

The notes on pages 12 to 23 form part of these financial statements.

All the results for the current and preceding financial year derive from continuing operations.

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 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	7	1,753	1,641
Intangible assets	8	16,558	22,766
Investments	9	2,170	2,170
		<u>20,481</u>	<u>26,577</u>
Current assets			
Debtors	10	8,920	6,680
Cash at bank and in hand		3,666	2,159
		<u>12,586</u>	<u>8,839</u>
Creditors: amounts falling due within one year	11	(7,543)	(3,699)
Net current assets		<u>5,043</u>	<u>5,140</u>
Total assets less current liabilities		<u>25,524</u>	<u>31,717</u>
Net assets		<u>25,524</u>	<u>31,717</u>
Capital and reserves			
Called-up share capital	12	1,000	1,000
Capital contribution reserve	12	36,002	36,002
Profit and loss account	12	(11,478)	(5,285)
Shareholder's funds/(deficit)		<u>25,524</u>	<u>31,717</u>

The notes on pages 12 to 23 form part of these financial statements.

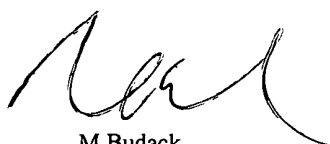
The financial statements of Applied Systems Europe Limited, registered number 03764705, were approved by the Board and authorised for issue on 9 September 2019

They were signed on its behalf by:

R Hobbs
Director



M Budack
Director



Applied Systems Europe Limited

Statement of changes in equity At 31 December 2018

	Equity attributable to equity shareholders of the Company			
	Called-up Share capital £'000	Capital Contribution Reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2017	1,000	-	(1,295)	(295)
Capital contribution	-	36,002	-	36,002
Loss for the financial year and total comprehensive income attributable to equity shareholders of the company	-	-	(3,990)	(3,990)
At 31 December 2017	1,000	36,002	(5,285)	31,717
Loss for the financial year and total comprehensive income attributable to equity shareholders of the company	-	-	(6,193)	(6,193)
At 31 December 2018	1,000	36,002	(11,478)	25,524

The notes on pages 12 to 23 form part of these financial statements.

Applied Systems Europe Limited

Notes to the financial statements For the year ended 31 December 2018

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 Company'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.

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 these 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 relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Consolidation

The financial statements contain information about Applied Systems Europe Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under s400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary are included in the consolidated financial statements of its parent company, Applied UK Holdings I Limited, a company incorporated in the UK and whose financial statements are publicly available.

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.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Financial instruments (continued)

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.

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.

Going concern

The financial statements have been prepared using the going concern basis of accounting.

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.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired 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. Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Details are set out in note 8.

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
- Licences	4 years
- Core technology	5 years
- Customer relationships	7 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	14.3% to 33.3%
Computer equipment	25% and 33.3%

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.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Impairment of assets (continued)

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.

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 recorded 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.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

Leases

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.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Director is 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 Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors has made in the process of applying the Company'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 Directors are satisfied that the recognition of the revenue in the current year is appropriate.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 £951k (2015: £543k). 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.

Impairment testing in respect of investments, 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. These cash flows comprise forecast of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Director. The carrying value of investments as at the year end is £2,170 k (2017: £2,170k). Details of the investment are set out in note 9.

The carrying value of goodwill and other intangibles as at the year end is £16,558k (2017: £22,766k). Details of the goodwill are set out in note 8.

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 on ordinary activities before taxation

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

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	48	33
Depreciation of tangible fixed assets:		
- owned	693	600
Amortisation of intangibles	2,848	2,345
Amortisation of goodwill	3,372	4,061
Research and development	2,168	2,660
Operating lease rentals:		
- land and buildings	474	304
Government grants	85	60
Profit/(Loss) on sale of fixed assets	10	(2)

Amortisation of intangible assets is included in administrative expenses.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

5. Staff numbers and costs

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

	2018 Number	2017 Number
Product management and development	95	97
Sales and customer support	66	51
Administration and finance	22	21
	<u>183</u>	<u>169</u>

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	8,309	7,126
Social security costs	892	752
Pension costs (see note 14)	206	159
	<u>9,407</u>	<u>8,037</u>

The Directors were remunerated by another group company, and therefore received no remuneration from the Company for services provided during the current year. This remains unchanged from the previous accounting year.

6. Tax on loss on ordinary activities

The tax charge comprises:

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	-	(12)
Deferred tax		
Origination and reversal of timing differences	(113)	(110)
Tax losses utilised/ (recognised)	130	587
Effect of changes in tax rates	-	-
Total tax on (loss)/profit on ordinary activities	<u>17</u>	<u>465</u>

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.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Tax on loss on ordinary activities (continued)

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:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(6,176)	(3,525)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 19.25%):	(1,173)	(679)
Effects of:		
Expenses not deductible	1,320	1,229
Tax refund from previous year	-	(12)
Income not taxable	-	(4)
Change in tax rates	13	(69)
Utilisation of losses brought forward	(143)	-
Total tax for year	17	465

Deferred tax

Due to the hive up of Relay Software Limited in 2016 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:

	2018 £'000	2017 £'000
Timing differences – fixed assets	391	278
Losses	1,706	1,836
Deferred tax asset (note 10)	2,097	2,114

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

7. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2018	257	485	3,269	4,011
Additions	-	83	732	815
Disposals	-	-	(73)	(73)
At 31 December 2018	257	568	3,928	4,753
Depreciation				
At 1 January 2018	97	323	1,950	2,370
Charge for the year	35	71	587	693
Disposals	-	-	(63)	(63)
At 31 December 2018	132	394	2,474	3,000
Net book value				
At 31 December 2018	125	174	1,454	1,753
At 31 December 2017	160	162	1,319	1,641

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 2018	1,550	2,696	175	5,452	8,905	18,673	37,451
Additions	-	-	12	-	-	-	12
At 31 December 2018	1,550	2,696	187	5,452	8,905	18,673	37,463
Amortisation							
At 1 January 2018	140	2,489	121	1,561	2,545	7,829	14,685
Charge for the year	103	149	26	1,297	1,273	3,372	6,220
At 31 December 2018	243	2,638	147	2,858	3,818	11,201	20,905
Net book value							
At 31 December 2018	1,307	58	40	2,594	5,087	7,472	16,558
At 31 December 2017	1,410	207	54	3,891	6,360	10,844	22,766

Development costs have been capitalised in accordance with FRS102 section 18, 'Intangible assets other than goodwill' and are therefore not treated, for dividend purposes, as a realised loss.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

9. Investments

	2018 £'000	2017 £'000
Subsidiary undertakings	2,170	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	Dormant company	Ordinary	100
ASE Software (Ireland) Limited*	Ireland	Unit 26 Block 3 Northwood Court Campus Santry, Dublin 9	Provision of software solutions and related services to the Irish Insurance Industry	Ordinary	100
Relay Wealthtrack Ltd	Ireland	Unit 26 Block 3 Northwood Court Campus Santry, Dublin 9	Dormant company	Ordinary	100

*held directly

10. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	501	788
Amounts owed by group undertakings	4,574	2,473
Deferred tax asset (note 6)	2,097	2,114
Corporation tax	670	481
Prepayments and accrued income	1,078	824
	<u>8,920</u>	<u>6,680</u>

11. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	378	127
Amounts owed to group undertakings	4,669	1,707
Other taxation and social security	438	428
Accruals and deferred income	2,058	1,437
	<u>7,543</u>	<u>3,699</u>

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Called-up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called-up and fully paid:		
2 (2016: 2) 'A' ordinary shares of £1 each	-	-
200,000 (2016: 200,000) 'B' ordinary shares of £1 each	200	200
799,998 (2016: 799,998) 'A' irredeemable preference shares of £1 each	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 Director, 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, net of dividends paid and other adjustments.

The capital contribution reserve represents qualifying consideration received by the Company following conversion of an intercompany liability and represents distributable reserves.

13. Financial commitments

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

	2018		2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
- within one year	474	6	304	6
- between two and five years	986	1	922	1
- after five years	141	-	303	-
	<u>1,601</u>	<u>7</u>	<u>1,529</u>	<u>7</u>

14. 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 £206k (2017: £159k). There were outstanding contributions of £28k (2017: £24k) payable at the year-end included within Note 11.

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2018

15. 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.

16. Controlling party

The smallest group within which the financial statements of Applied Systems Europe Limited are included is Applied UK 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 (www.hf.com).

The largest group of undertaking for which group financial statements are publicly available is that headed by Applied UK Holdings I Limited as the ultimate parent company has no requirement to file financial statements within its jurisdiction.