

**Registered Number. 03764705**

**Applied Systems Europe Limited**

**Annual report and financial statements**

**For the year ended 31 December 2019**



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# **Applied Systems Europe Limited**

## **Annual report and financial statements 2019**

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# **Applied Systems Europe Limited**

## **Officers and professional advisers**

### **Directors**

G Blackwell  
M Budack

### **Company secretary**

R Cohan Jr

### **Registered office**

5<sup>th</sup> 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 £16,106k in the prior year to £19,927k in the current year. The Company has demonstrated continued earnings before interest, tax, depreciation, and amortisation (EBITDA) for the year of £2,375k against £730k in 2018. There is a loss before tax of £4,605k in the current year compared to £6,176k in the prior year due to increased revenue in the year alongside 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.

### **Events since the balance sheet date**

A global pandemic caused by COVID-19 has occurred in late quarter 1 2020. The Company has responded to ensure minimal disruption to services provided to customers. Most staff are currently working from home, except for essential staff that must be in the office however the Company has not had to furlough any staff and business performance is as expected.

Approved by the Board and signed on its behalf by:



M Budack  
Director

08 December 2020

# **Applied Systems Europe Limited**

## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

### **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**

After making enquiries, including obtaining a letter of support from the Applied Inc, and carrying out a review of projected funding over the next 12 months, taking account of reasonably possible changes in trading performance, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Directors consider that the global pandemic caused by COVID-19 is a temporary situation which has not significantly impacted business performance as noted above. The Company is taking appropriate action to deal with the events arising from COVID-19. 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 £2,177k (2018: £2,168k).

### **Dividends**

No dividend has been declared or is payable (2018: £nil) to the shareholder.

### **Directors**

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

- R French (resigned 31 May 2019);
- R Hobbs (appointed 2 January 2019, resigned 26 August 2020);
- M Budack (appointed 2 January 2019); and
- Graham Blackwell (appointed 26 August 2020).

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors 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.

# **Applied Systems Europe Limited**

## **Directors' report (continued)**

### **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

08 December 2020

# **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 2019 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 17.

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.

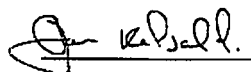
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### **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.



Ian Kelsall ACA (Senior statutory auditor)  
for and on behalf of Deloitte (NI) Limited  
Statutory Auditor  
Belfast, United Kingdom

14 December 2020

## Applied Systems Europe Limited

### Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	19,927	16,106
Cost of sales		<u>(3,616)</u>	<u>(2,608)</u>
Gross profit		16,311	13,498
Administrative expenses		<u>(20,916)</u>	<u>(19,674)</u>
Loss on ordinary activities before taxation	4	(4,605)	(6,176)
Tax on loss on ordinary activities	6	<u>(271)</u>	<u>(17)</u>
Loss for the financial year		<u><u>(4,876)</u></u>	<u><u>(6,193)</u></u>

The notes on pages 13 to 24 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

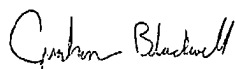
## Balance sheet At 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	7	2,176	1,753
Intangible assets	8	10,432	16,558
Investments	9	2,170	2,170
		<u>14,778</u>	<u>20,481</u>
<b>Current assets</b>			
Debtors	10	9,097	8,920
Cash at bank and in hand		2,088	3,666
		<u>11,185</u>	<u>12,586</u>
<b>Creditors: amounts falling due within one year</b>	11	(5,315)	(7,543)
<b>Net current assets</b>		<u>5,870</u>	<u>5,043</u>
<b>Total assets less current liabilities</b>		<u>20,648</u>	<u>25,524</u>
<b>Net assets</b>		<u>20,648</u>	<u>25,524</u>
<b>Capital and reserves</b>			
Called-up share capital	12	1,000	1,000
Capital contribution reserve	12	36,002	36,002
Profit and loss account	12	(16,354)	(11,478)
<b>Shareholder's funds</b>		<u>20,648</u>	<u>25,524</u>

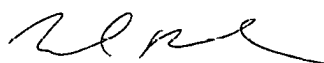
The notes on pages 13 to 24 form part of these financial statements.

The financial statements of Applied Systems Europe Limited, registered number 03764705, were approved by the Board and authorised for issue on 08 December 2020.

They were signed on its behalf by:



G. Blackwell  
Director



M Budack  
Director

# Applied Systems Europe Limited

## Statement of changes in equity At 31 December 2019

	Equity attributable to equity shareholders of the Company			
	Called-up Share capital £'000	Capital Contribution Reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2018</b>	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)
<b>At 31 December 2018</b>	1,000	36,002	(11,478)	25,524
Loss for the financial year and total comprehensive income attributable to equity shareholders of the company	-	-	(4,876)	(4,876)
<b>At 31 December 2019</b>	1,000	36,002	(16,354)	20,648

The notes on pages 13 to 24 form part of these financial statements.

# Applied Systems Europe Limited

## Notes to the financial statements For the year ended 31 December 2019

### 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 company is registered in England and Wales. 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 2019

### 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

After making enquiries, including obtaining a letter of support from the Applied Inc, and carrying out a review of projected funding over the next 12 months, taking account of reasonably possible changes in trading performance, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The Directors consider that the global pandemic caused by COVID-19 is a temporary situation which has not significantly impacted business performance as noted above. The Company is taking appropriate action to deal with the events arising from COVID-19. Thus they continue 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.



# Applied Systems Europe Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 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
- Development costs	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	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 2019

### 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 2019**

### **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 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 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 2019

### 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 £853k (2018: £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 Directors. The carrying value of investments as at the year end is £2,170 k (2018:£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 £10,432k (2018: £16,558k). 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):

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	53	48
Depreciation of tangible fixed assets:		
- owned	844	693
Amortisation of intangibles	2,065	2,848
Amortisation of goodwill	4,061	3,372
Research and development	2,177	2,168
Operating lease rentals:		
- land and buildings	497	474
Government grants	85	85
Loss on sale of fixed assets	-	10
Foreign exchange loss	92	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 2019

### 5. Staff numbers and costs

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

	2019 Number	2018 Number
Product management and development	100	95
Sales and customer support	67	66
Administration and finance	30	22
	<u>197</u>	<u>183</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	9,250	8,309
Social security costs	1,039	892
Pension costs (see note 14)	315	206
	<u>10,604</u>	<u>9,407</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:

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(144)	(113)
Tax losses utilised	415	130
<b>Total tax on Loss on ordinary activities</b>	<u>271</u>	<u>17</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. On 17 March 2020 HM Treasury substantively enacted a budget resolution to retain the UK Corporation tax rate at 19% from 1 April 2020. This will result in an increase to recognised deferred tax balances.

# Applied Systems Europe Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 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:

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(4,631)	(6,176)
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%):	(880)	(1,173)
Effects of:		
Expenses not deductible	1,566	1,320
Income not taxable	-	-
Change in tax rates	48	13
Utilisation of losses brought forward	(463)	(143)
<b>Total tax for year</b>	<b>271</b>	<b>17</b>

### 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.

Deferred tax is recognised as follows:

	2019 £'000	2018 £'000
At 1 January	2,097	2,114
Charged to the profit and loss account	(271)	(17)
As 31 December	1,826	2,097

Recognised deferred tax asset is as follows:

	2019 £'000	2018 £'000
Timing differences – fixed assets	535	391
Losses	1,291	1,706
<b>Deferred tax asset (note 10)</b>	<b>1,826</b>	<b>2,097</b>

# Applied Systems Europe Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 7. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	257	568	3,928	4,753
Additions	-	55	1,212	1,267
At 31 December 2019	257	623	5,140	6,020
<b>Depreciation</b>				
At 1 January 2019	132	394	2,474	3,000
Charge for the year	24	68	752	844
At 31 December 2019	156	462	3,226	3,844
<b>Net book value</b>				
At 31 December 2019	101	161	1,914	2,176
At 31 December 2018	125	174	1,454	1,753

### 8. Intangible assets

	Intellectual property £000	Development Costs £'000	Licences £'000	Core technology £'000	Customer relationships £'000	Purchased Goodwill £'000	Total £'000
<b>Cost</b>							
At 1 January 2019	1,550	2,696	187	5,452	8,905	18,673	37,463
Additions	-	-	-	-	-	-	-
At 31 December 2019	1,550	2,696	187	5,452	8,905	18,673	37,463
<b>Amortisation</b>							
At 1 January 2019	243	2,638	147	2,858	3,818	11,201	20,905
Charge for the year	103	58	22	609	1,273	4,061	6,126
At 31 December 2019	346	2,696	169	3,467	5,091	15,262	27,031
<b>Net book value</b>							
At 31 December 2019	1,204	-	18	1,985	3,814	3,411	10,432
At 31 December 2018	1,307	58	40	2,594	5,087	7,472	16,558

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.

### 9. Investments

	2019 £'000	2018 £'000
Subsidiary undertakings	2,170	2,170

# Applied Systems Europe Limited

## Notes to the financial statements (continued) For the year ended 31 December 2019

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 Northwood Business Campus Santry, Dublin 9	Provision of software solutions and related services to the Irish Insurance Industry	Ordinary	100

\*held directly

### 10. Debtors

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	1,070	501
Amounts owed by group undertakings	4,090	4,574
Deferred tax asset (note 6)	1,826	2,097
Corporation tax	440	670
Prepayments and accrued income	1,671	1,078
	<u>9,097</u>	<u>8,920</u>

### 11. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	454	378
Amounts owed to group undertakings	2,268	4,669
Other taxation and social security	498	438
Accruals and deferred income	2,095	2,058
	<u>5,315</u>	<u>7,543</u>

### 12. Called-up share capital and reserves

	2019 £'000	2018 £'000
<b>Allotted, called-up and fully paid:</b>		
2 (2018: 2) 'A' ordinary shares of £1 each	-	-
200,000 (2018: 200,000) 'B' ordinary shares of £1 each	200	200
799,998 (2018: 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.



**Applied Systems Europe Limited**

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2019**