

Registered Number. 03764705

Applied Systems Europe Limited

Annual report and financial statements

For the year ended 31 December 2022



Applied Systems Europe Limited

Annual report and financial statements 2022

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Applied Systems Europe Limited

Officers and professional advisers

Directors

G Blackwell
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
27-45 Great Victoria Street,
Belfast,
BT2 7SL
United Kingdom

Solicitors

Arthur Cox
10 Earlsfort Terrace
Dublin 2
D02 T380

Applied Systems Europe Limited

Strategic report

Review of the business

EBITDA of £550k (2021: £350k) was generated during the year. The principal activity of the Company during the year was the provision of software solutions and related services to the UK insurance industry.

Revenue has grown from £25,150k in the prior year to £31,365k in the current year. The Company has demonstrated continued earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to £3,207k (2021: £124k), and the loss before tax was £2,498k (2021: £2,833k). The increase in turnover was impacted by an increase in wages and salaries as the company continued to invest 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 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.

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.

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.

Section 172(1) Statement

The directors confirm that in compliance with Section 172 of the Companies Act 2006, they have acted in good faith and in the way they consider would be most likely to promote the success of the Company. In doing so the directors have regard, amongst other matters, to the following:

(a) the likely consequences of any decision in the long term

The directors and management are responsible for delivering sustained profitability and asset growth. In all decision making the Company considers the long term impact, its reputation and effectively mitigates against any risks. The Company continues to invest in its facilities for the future benefits of residents and its workforce.

(b) the interests of the Company's employees

A critical and important resource of the Company is its people, their knowledge and experience. Retention of key staff is important and the Company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. By way of periodic consultation, their views are considered when making decisions which are likely to affect their interests.

The Company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees.

(c) the desirability of the Company maintaining a reputation for high standards of business conduct

The Company adheres to a sustainable development strategy to ensure it meets its responsibility as an employer that is socially responsible, driving environmental policy and targets, committed to competition and anti-corruption and does not tolerate behaviours or acts which can be deemed active or passive corruption, collusion or that influence favouritism.

(d) the need to act fairly as between members of the Company

The Company management meet regularly to discuss business performance and plans, with the Company shareholders regularly updated.

Applied Systems Europe Limited

Strategic report (continued)

(e) the need to foster the Company's business relationships with suppliers, customers and others

Regular reviews including assessments of competitor activity, market trends and forecast, and customer behaviour are carried out. Product supply is monitored on an ongoing basis with supplier financial strength, product quality and service levels regularly reviewed.

The Company historically has strong partnerships with suppliers, customers, business contractors and partners alike, actively developing new business development and driving best practice in supply chains.

(f) the impact of the Company's operations on the community and the environment

The Company, directors and staff have been involved in community projects and serving local communities for many years. Future plans are to continue to develop initiatives that will benefit and create positive change for all.

The Company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

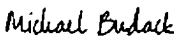
Future developments

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.

Events since the balance sheet date

The current conflict with Ukraine and Russia has been reviewed, the directors believe there is no impact on the financial statement and no impairment on balances.

Approved by the Board and signed on its behalf by:

DocuSigned by:

0200543513CD47B...
M Budack
Director

Applied Systems Europe Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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 2-4 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 inflationary & energy costs caused by the Ukraine/Russia conflict, which has not significantly impacted business performance as noted above. The Company is taking appropriate action to deal with the events arising from, inflationary costs and energy costs. 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 £6,496k (2021: £5,119k).

Dividends

No dividend has been declared or is payable (2021: £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:

M Budack; and
Graham Blackwell

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.

Energy and Carbon Reporting

This has been disclosed in Applied Holdings I Limited.

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.

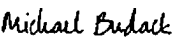
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

DocuSigned by:

0200543513CD478_
M Budack
Director

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 of Applied Systems Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies within note 1; 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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

We obtained an understanding of the legal and regulatory framework[s] that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included environmental regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue Recognition in response to bespoke contracts:
 - we assessed the design and determined the implementation of the key controls over how revenue was recognised in the period; and
 - obtained a sample of contracts and tested the recognition of revenue with reference to the specific terms of the contract and progress of the project at the year end.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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

Matters on which we are required to report by exception

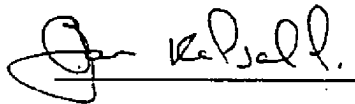
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Ian Kelsall ACA (Senior statutory auditor)

For and on behalf of Deloitte (NI) Limited

Statutory Auditor

Belfast, United Kingdom

29 September 2023

Applied Systems Europe Limited

Statement of comprehensive income For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	31,365	25,150
Cost of sales		(6,009)	(5,086)
Gross profit		25,356	20,064
Administrative expenses		(27,854)	(22,897)
Loss before taxation	4	(2,498)	(2,833)
Tax (charge)/credit on loss on ordinary activities	6	(844)	1,026
Loss for the financial year		(3,342)	(1,807)

The notes on pages 15 to 26 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 2022

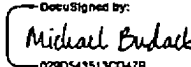
	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	7	2,936	2,846
Intangible assets	8	913	2,644
Investments	9	2,170	2,170
		<u>6,019</u>	<u>7,660</u>
Current assets			
Debtors	10	7,786	8,424
Cash at bank and in hand		7,521	3,222
		<u>15,307</u>	<u>11,646</u>
Creditors: amounts falling due within one year	11	(12,722)	(7,360)
Net current assets		<u>2,585</u>	<u>4,286</u>
Total assets less current liabilities		<u>8,604</u>	<u>11,946</u>
Net assets		<u>8,604</u>	<u>11,946</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	(28,398)	(25,056)
Shareholder's funds		<u>8,604</u>	<u>11,946</u>

The notes on pages 15 to 26 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 27th September 2023.

They were signed on its behalf by:

DocuSigned by:

 G. Blackwell
 Director

DocuSigned by:

 M Budack
 Director

Applied Systems Europe Limited**Statement of changes in equity
At 31 December 2022**

	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 2021	1,000	36,002	(23,249)	13,753
Loss for the financial year and total comprehensive income attributable to equity shareholders of the company	-	-	(1,807)	(1,807)
At 31 December 2021	1,000	36,002	(25,056)	11,946
Loss for the financial year and total comprehensive income attributable to equity shareholders of the company	-	-	(3,342)	(3,342)
At 31 December 2022	1,000	36,002	(28,398)	8,604

The notes on pages 15 to 26 form part of these financial statements.

Applied Systems Europe Limited

Notes to the financial statements For the year ended 31 December 2022

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 2022

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 Systems 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 inflationary & energy costs, caused by the Ukraine/Russia conflict, which has not significantly impacted business performance as noted above. The Company is taking appropriate action to deal with the events arising from, inflationary costs and energy costs. 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 2022

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. Assets under construction are stated at cost together with incidental costs of acquisition.

Depreciation (including additions and disposals) is calculated on a monthly basis 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 2022

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 2022

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 2022

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 £1,704k (2021: £1,486k). 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 £2,170k (2021: £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 £913k (2021: £2,644k). 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 before taxation

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

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	95	71
Depreciation of tangible fixed assets:		
- owned	1,317	1,185
Amortisation of intangibles	1,731	1,734
Amortisation of goodwill	-	-
Research and development		
RDEC	6,496	5,119
Operating lease rentals:	463	665
- land and buildings	463	665
Foreign exchange gain	(1,970)	(1,231)

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 2022

5. Staff numbers and costs

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

	2022 Number	2021 Number
Product management and development	175	172
Sales and customer support	74	74
Administration and finance	49	49
	<u>298</u>	<u>295</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	17,565	15,287
Social security costs	2,094	1,793
Pension costs (see note 14)	631	580
	<u>20,290</u>	<u>17,660</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.

As a qualifying entity, the company has taken the exemption from the disclosure requirements for share-based payment transactions. The company is part of the Applied Systems, Inc share-based payment plan and recognises its share-based payment expense as a reasonable allocation of the expense recognised for the group.

6. Tax on loss

The tax charge comprises:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	560	(1,314)
Tax losses utilised	284	288
Total tax on Loss	<u>844</u>	<u>(1,026)</u>

The Standard rate of corporation tax applied during the year was 19% (2021: 19%)

In the March 2021 Budget it was announced that the main rate of UK corporation tax will increase to 25% from 1 April 2023.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Tax on loss (continued)

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

	2022 £'000	2021 £'000
Loss before taxation	2,498	2,833
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2021: 19%):	(475)	(538)
Effects of:		
Expenses not deductible	819	721
Utilisation of losses brought forward	(284)	(379)
Origination and reversal of timing differences	784	(830)
Total tax for year	844	(1,026)

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:

	2022 £'000	2021 £'000
At 1 January	2,665	1,639
(Charged)/Credited to the profit and loss account	(844)	1,026
As 31 December	1,821	2,665

Recognised deferred tax asset is as follows:

	2022 £'000	2021 £'000
Timing differences – fixed assets	626	911
Losses	1,195	1,754
Deferred tax asset (note 10)	1,821	2,665

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Assets in Course of Construction £'000	Computer equipment £'000	Total £'000
At 1 January 2022	839	259	3	7,249	8,350
Additions	2	14	65	1,326	1,407
Transferred	3	-	(3)	-	-
Disposals	-	-	-	(1,975)	(1,975)
At 31 December 2022	844	273	65	6,600	7,782
Depreciation					
At 1 January 2022	240	189	-	5,075	5,504
Charge for the year	80	20	-	1,217	1,317
Disposals	-	-	-	(1,975)	(1,975)
At 31 December 2022	320	209	-	4,317	4,846
Net book value					
At 31 December 2022	524	64	65	2,283	2,936
At 31 December 2021	599	70	3	2,174	2,846

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 2022	1,550	2,696	196	5,452	8,905	18,673	37,472
Disposals	-	-	(188)	-	-	-	(188)
At 31 December 2022	1,550	2,696	8	5,452	8,905	18,673	37,284
Amortisation							
At 1 January 2022	553	2,696	192	5,077	7,637	18,673	34,828
Charge for the year	103	-	3	357	1,268	-	1,731
Disposals	-	-	(188)	-	-	-	(188)
At 31 December 2022	656	2,696	7	5,434	8,905	18,673	36,371
Net book value							
At 31 December 2022	894	-	1	18	-	-	913
At 31 December 2021	997	-	4	374	1,269	-	2,644

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 2022

9. Investments

	2022 £'000	2021 £'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	24-26, Second Floor Adelaide Street, Belfast, Northern Ireland, BT2 8GB	Dominant company	Ordinary	100
ASE Software (Ireland) Limited*	Ireland	10 Earlsfort Terrace Dublin 2 D02 T380	Provision of software solutions and related services to the Irish Insurance Industry	Ordinary	100

*held directly

10. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	1,812	1,253
Amounts owed by group undertakings	-	1,312
Deferred tax asset (note 6)	1,821	2,666
Corporation tax	1,785	1,292
Prepayments and accrued income	2,368	1,900
	<u>7,786</u>	<u>8,424</u>

11. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	214	345
Amounts owed to group undertakings	7,391	2,527
Other taxation and social security	988	862
Accruals and deferred income	4,129	3,626
	<u>12,722</u>	<u>7,360</u>

Applied Systems Europe Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

12. Called-up share capital and reserves

	2022 £'000	2021 £'000
Allotted, called-up and fully paid:		
2 (2021: 2) 'A' ordinary shares of £1 each	-	-
200,000 (2021: 200,000) 'B' ordinary shares of £1 each	200	200
799,998 (2021: 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:

	2022 Land and buildings £'000	2021 Land and buildings £'000
Expiry date:		
- within one year	463	463
- between two and five years	1,215	1,416
- after five years	698	960
	<u>2,376</u>	<u>2,839</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 £631k (2021: £580k). There were outstanding contributions of £132k (2021: £127k) payable at the year-end.

Applied Systems Europe Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

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 Company's ultimate parent company is Arrow Holding Corp., a company incorporated in the United States of America.

The largest and 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 with a registered address of 5th Floor, Invicta House, Brighton, East Sussex, BN1 4FR. Copies of the group financial statements of Applied UK Holdings I Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The ultimate controlling party is Hellman & Friedman, LLC, a limited liability company incorporated in the United States of America (www.hf.com).

The Company's immediate controlling party is Applied UK Holdings II Limited, a company incorporated in England & Wales.

17. Events after the reporting date

The current conflict with Ukraine and Russia has been reviewed, the directors believe there is no impact on the financial statement and no impairment on balances.