

Verint Systems UK Limited

Annual report and financial statements

for the year ended 31 January 2019

Registered number: 02602824 (England and Wales)

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Verint Systems UK Limited

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Verint Systems UK Limited

Company information

Directors	D Robinson P Fante N Nonini
Company number	02602824
Registered office	241 Brooklands Road Weybridge Surrey KT13 0RH
Independent auditor	Deloitte (NI) Limited Belfast, United Kingdom
Solicitors	Jones Day 21 Tudor Street London Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Principal bankers	HSBC Bank PLC Harry Weston Road Coventry CV3 2SH Barclays Bank PLC PO Box 299 Birmingham B1 3PF

Verint Systems UK Limited

Strategic report

The purpose of the Strategic Report is to inform members of the company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote success of the company).

Review of the business and key performance indicators

Verint provides a workforce optimisation suite that enables the contact centre and enterprise systems involved in critical customer service functions to share information, work together, and ultimately deliver a better, more cost-effective customer experience. With Verint's solutions, organisations can capture and analyse customer interactions, uncover business trends, discover the root cause of employee and customer behaviour, and make decisions that impact the quality and efficiency of customer service. The company is a fully owned subsidiary of Verint Systems Inc. (NASDAQ: VRNT) which has headquarters in Melville, New York.

The company's turnover increased in the year reflecting a full year of activity from the trades acquired part way through the prior year, and following the acquisition of the trade and certain assets and liabilities of EG Solutions Limited, Nxtera Limited, Kiran Analytics Limited and Voicevault Limited during the current year. In addition, growth in software, maintenance, continued expansion of its cloud-based software revenues and a strong return from affiliated companies relating to its ownership of intellectual property all contributed to the increase. The macro-economic conditions continue to impact the scale of the growth in software sales as a result of a general sense of caution with regard to new investment, but those organisations that have invested in the company's technology continue to materialise the return on investment expected.

The gross margin of 55% (2018: 48%) is a reflection of the change in the mix of sales towards higher margin revenue sources and the impact of the return on the ownership of intellectual property, particularly following the acquisitions in the year.

Administrative expenses increased in the year mainly due to the acquisition of the trades mentioned above, resulting in the addition of skilled workforce, additional office locations, and increased amortisation charges on the intangible assets acquired. Foreign exchange movements on non-Sterling transactions and the retranslation of non-Sterling assets and liabilities held also contributed to the increase in expenses.

The acquisitions noted above and continued investment in the companies' infrastructure resulted in a £23.5m increase in fixed assets. The acquisitions also resulted in the assumption of various trading assets and liabilities and the creation of intercompany payables which resulted in a decrease in net current assets of £21.5m. Overall, the company increased net assets by £6.7m inclusive of a £1.4m increase resulting from a change in accounting policy (see note 1).

Principal risks and uncertainties of the company

The directors considered the risks attached to the company's financial instruments which principally comprise operating debtors, operating creditors, cash and loans to and from other group companies. The directors have taken a prudent approach to their consideration of the various risks attached to the financial instruments of the company.

The directors' policy on hedging is to hedge all the financial risk where it is feasible and cost effective to do so. The company has no hedged transactions during the current or prior year.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The treasury department of Verint Systems Inc. manages these risks at a group level.

Interest bearing assets are held at variable rates to ensure the best rate is obtained at all times. There are no third party interest bearing liabilities.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and amounts owed by company undertakings and investments.

The company's credit risk is primarily attributable to its trade receivables and its amounts owed by company undertakings. Both amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Verint Systems UK Limited

Strategic report (continued)

The credit risk on liquid funds is limited because the counterparties are banks with relatively high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The company continues to generate significant liquidity arising from its activities as a distributor of Verint's worldwide product offerings and from returns associated with the shared intellectual property ownership of its enterprise intelligence product suites. As such the company maintains sufficient liquidity to ensure that sufficient funds are available for both on-going operations and future business development in the form of short term cash deposits.

Commercial risks

The company also faces a variety of commercial risks, including but not limited to, the specific risks identified below:

- General economic conditions and economic downturns affecting our customers' ability to invest in our offerings
- Failure to protect intellectual property resulting in third parties using technology for their own benefit
- Claims by other companies that software infringes their intellectual property which could require the incurrence of substantial costs, or prevention from selling software or services
- Long sales cycles make it more difficult to plan expenses and forecast results
- Increased competition in the business could adversely affect our revenue, profitability and market share
- Heavy reliance on sales of recording, quality monitoring and workforce management software exposes the company to risks of obsolescence due to changes in competitive product offerings
- Attraction and retention of key personnel to manage and grow effectively

The company and the Verint group as a whole continues to invest significantly in research and development to provide new, innovative and integrated solutions to its client base in order to maintain and grow its market position. The company also maintains its position as an attractive employer by investing in its professional workforce, focusing on employee development within a structure of core values that provide a fair and challenging workplace.

Future developments

The directors will continue to manage the business to support the planned growth of the company within the wider framework of the overall goals and values of the Verint group, ensuring Verint maintains its market leadership in actionable intelligence.

Approved by the Board and signed on its behalf by:



N Nonini

Director

8 October 2019

Verint Systems UK Limited

Directors' report

The directors present their annual report, together with the financial statements and auditor's report, for the year ended 31 January 2019.

Results and dividends

The company's profit for the year was £5.3m (2018: £5.7m).

The directors did not pay any dividends during the year (2018: £6.2m).

Going concern

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Future developments and events after the balance sheet date

Details of future developments can be found in the Strategic Report on page 3.

After the balance sheet date, on 24 June 2019, the trade and certain assets and liabilities of Foresee Results Limited, a sister company, were hived up into Verint Systems UK Limited.

Research and development

During the year the company continued to invest in research and development and core releases of its Workforce Optimisation suite were made generally available. Further significant new releases and enhancements are expected in the forthcoming year. The acquisition of the EG Solutions and Nxtera trade and assets during the year have further widened the company's research and development activities and broadened the range of product offerings. The acquisition of the trade of Lagan Technologies Limited in the prior year also enabled the company to provide research and development services to other group companies in relation to the Verint Engagement Management products. The company continues to invest further in the research and development team to enable the business to contribute to the development of a broader range of the Verint product suite. Details of research and development spend for the year are given in note 5.

Financial risk management objectives and policies

Details of the company's financial risk management objectives and policies can be found in the Strategic Report on page 2.

Directors

The directors, who served throughout the year and to the date of this report, were as follows:

D Robinson
N Nonini
P Fante

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.

Verint Systems UK Limited

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, surveys, correspondence and electronic mail. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception. In addition, most employees receive a bonus related to the overall profitability of the company and the Verint group.

Auditor

Each of the persons who are 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

Approved by the Board and signed on its behalf by:



N Nonini

Director

8 October 2019

Verint Systems UK 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 judgements 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Verint Systems UK Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2019 and of its profit 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 Verint Systems UK Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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 Verint Systems UK 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 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.

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 entity's 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 entity'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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity 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 (i.e. gives a true and fair view).

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 Verint Systems UK Limited (continued)

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.

Dawn Johnston

Dawn Johnston, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom

14 October 2019

Verint Systems UK Limited

Profit and loss account

For the year ended 31 January 2019

	Note	2019 £000	2018 £000
Turnover	3	105,195	81,794
Cost of sales		<u>(46,865)</u>	<u>(42,151)</u>
Gross profit		58,330	39,643
Distribution costs		(30)	(49)
Administrative expenses		(52,132)	(33,606)
Other operating income		<u>1,074</u>	<u>427</u>
Operating profit		7,242	6,415
Net finance (loss)/income	4	<u>(589)</u>	<u>808</u>
Profit on ordinary activities before taxation	5	6,653	7,223
Tax on profit on ordinary activities	9	<u>(1,314)</u>	<u>(1,537)</u>
Profit and total comprehensive income for the year		<u><u>5,339</u></u>	<u><u>5,686</u></u>

Activities in the current period have arisen from continuing and acquired operations, and the result for the year is attributable to the equity shareholders of the company.

There are no recognised gains and losses in either period, other than those set out above, and hence, no Statement of Comprehensive Income is presented.

Verint Systems UK Limited

Balance sheet At 31 January 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	41,452	8,256
Tangible assets	13	3,728	1,872
Investments	14	10	11,582
		<u>45,190</u>	<u>21,710</u>
Current assets			
Stocks			
Debtors		29	56
– due within one year	15	39,769	52,808
– due after one year	15	5,460	-
Cash at bank and in hand		5,972	16,921
		<u>51,230</u>	<u>69,785</u>
Creditors: amounts falling due within one year	16	<u>(55,463)</u>	<u>(54,531)</u>
Net current (liabilities)/assets		<u>(4,233)</u>	<u>15,254</u>
Total assets less current liabilities		<u>40,957</u>	<u>36,964</u>
Creditors: amounts falling due after more than one year	16	(1,347)	(1,532)
Provisions for liabilities	17	(2,000)	(4,537)
		<u>37,610</u>	<u>30,895</u>
Net assets		<u>37,610</u>	<u>30,895</u>
Capital and reserves			
Called-up share capital	18	-	-
Profit and loss account		37,610	30,895
		<u>37,610</u>	<u>30,895</u>
Shareholders' funds		<u>37,610</u>	<u>30,895</u>

The financial statements of Verint Systems UK Limited (registered number 02602824) were approved by the board of directors and authorised for issue on 8 October 2019. They were signed on its behalf by:



N Nonini
Director

Verint Systems UK Limited

Statement of changes in equity

At 31 January 2019

	Called-up share capital £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
At 1 February 2017	-	-	30,342	30,342
Total comprehensive income for the year	-	-	5,686	5,686
Contribution from parent	-	3,255	-	3,255
Recognition of equity-settled share based payments	-	(3,255)	3,255	-
Distribution to parent	-	-	(2,151)	(2,151)
Dividend paid on equity shares	-	-	(6,237)	(6,237)
At 31 January 2018	-	-	30,895	30,895
Adjustment in respect of change in revenue accounting policy (note 1)	-	-	1,406	1,406
Total comprehensive income for the year	-	-	5,339	5,339
Contribution from parent	-	3,764	-	3,794
Recognition of equity-settled share based payments	-	(3,764)	3,764	-
Distribution to parent	-	-	(3,794)	(3,794)
At 31 January 2019	-	-	37,610	37,610

Verint Systems UK Limited

Notes to the financial statements

For the year ended 31 January 2019

1. Accounting policies

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

a. General information and basis of accounting

Verint Systems UK Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006. 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 pages 2 to 3.

On 1 March 2018 the company acquired the trade, certain assets and liabilities of EG Solutions Limited, a sister company within the Verint Group.

On 1 April 2018, the trade and net assets of Nxtera Limited, a subsidiary company, were hived up into the company.

The former activities of these companies, will now be conducted by the company from the respective dates of acquisition.

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 Verint Systems UK Limited is considered to be pounds Sterling because that is the currency of the primary economic environment in which the company operates.

Verint Systems UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Verint Systems UK Limited is consolidated in the financial statements of its parent, Verint Systems Inc., copies of which may be obtained at 175 Broadhollow Road, Melville, New York 11747, USA. Exemptions have been taken in these separate company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Changes in accounting policies

With effect from the start of the current financial year, the company changed its revenue recognition accounting policy to align with the adoption of ASC 606 (under US GAAP) at a group level. The policy is consistent with revenue recognition policies permitted under FRS102 and therefore the company has also adopted the policy within these financial statements. The change in accounting policy was adopted on February 1, 2018, using the modified retrospective transition method by reflecting the transition difference in opening reserves, rather than restating prior year accounts.

This policy requires entities to recognise revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

Results for reporting periods beginning after February 1, 2018 are presented under the revised accounting policy, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under prior guidance. For contracts that were modified before the effective date, we recorded the aggregate effect of all modifications when identifying performance obligations and allocating the transaction price in accordance with the practical expedient provided for under the new guidance, which permits an entity to record the aggregate effect of all contract modifications that occur before the beginning of the earliest period presented in accordance with the new standard when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Verint Systems UK Limited

Notes to the financial statements

For the year ended 31 January 2019

Under the new standard, an entity recognises revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for contracts that are within the scope of new standard, we perform the following five steps:

1) Identify the contract(s) with a customer

A contract with a customer exists when (i) we enter into an enforceable contract with the customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance, and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or in the case of a new customer, published credit and financial information pertaining to the customer. Our customary business practice is to enter into legally enforceable written contracts with our customers. The majority of our contracts are governed by a master agreement between us and the customer, which sets forth the general terms and conditions of any individual contract between the parties, which is then supplemented by a customer purchase order to specify the different goods and services, the associated prices, and any additional terms for an individual contract. Multiple contracts with a single counterparty entered into at the same time are evaluated to determine if the contracts should be combined and accounted for as a single contract.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we must apply judgment to determine whether promised goods or services are capable of being distinct and are distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.

3) Determine the transaction price

The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer. We assess the timing of transfer of goods and services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, we do not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less, which is the case in the majority of our customer contracts. The primary purpose of our invoicing terms is not to receive or provide financing from or to customers. To the extent the transaction price includes variable consideration, we estimate the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price, if we assessed that a significant future reversal of cumulative revenue under the contract will not occur. Typically, our contracts do not provide our customers with any right of return or refund, and we do not constrain the contract price as it is probable that there will not be a significant revenue reversal due to a return or refund.

4) Allocate the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct goods or services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, we must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation. We determine standalone selling price ("SSP") based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, we estimate the SSP taking into account available information such as market conditions, including geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and internally approved pricing guidelines related to the performance obligation.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

5) Recognise revenue when (or as) the entity satisfies a performance obligation

We satisfy performance obligations either over time or at a point in time depending on the nature of the underlying promise. Revenue is recognised at the time the related performance obligation is satisfied by transferring a promised good or service to a customer. In the case of contracts that include customer acceptance criteria, revenue is not recognised until we can objectively conclude that the product or service meets the agreed-upon specifications in the contract.

We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to our customers. Revenue is measured based on consideration specified in a contract with a customer, and excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer.

Costs to Obtain and Fulfil Contracts

We capitalize commissions paid to internal sales personnel and agent commissions that are incremental to obtaining customer contracts. We have determined that these commissions are in fact incremental and would not have occurred absent the customer contract. Capitalized sales and agent commissions are amortized on a straight-line basis over the period the goods or services are transferred to the customer to which the assets relate, which ranges from immediate to as long as six years, if commission amounts paid upon renewal are not commensurate with amounts paid on the initial contract. A portion of the initial commission payable on the majority of Customer Engagement contracts is amortized over the anticipated renewal period, which is generally four to six years, due to commissions paid on PCS renewal contracts not being commensurate with amounts paid on the initial contract.

Financial Statement Impact of Adoption

We adopted the modified retrospective method. The cumulative impact of applying the new guidance to all contracts with customers that were not completed as of February 1, 2018 was recorded as an adjustment to shareholders' equity as of the adoption date. As a result of applying the modified retrospective method to adopt the new accounting policy, the following adjustments were made to accounts on the balance sheet as of February 1, 2018:

Balance sheet excerpts	Balance as at 31 January 2018	Adjustments from change in accounting policy	Balance as at 1 February 2018
	£000	£000	£000
Assets			
Contract assets	-	281	281
Deferred commission assets	-	1,195	1,195
Prepayments and accrued income	1,105	(31)	1,074
Deferred tax	967	(220)	747
Liabilities			
Accruals and deferred income	(28,067)	182	(27,885)
Equity			
Total shareholders' equity	30,895	1,407	32,302

d. Turnover

Revenue and associated direct costs to obtain and fulfil revenue contracts are recognised in accordance with the 5 step model set out in c. above.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

e. Intangible assets - capitalised software

Where software development costs are incurred on a separately identified commercial project whose profitable outcome is reasonably foreseeable, the related costs are capitalised and included within intangible fixed assets and amortised over the estimated useful life of the software. The period is 18 to 30 months. Provision is made for any impairment.

All other expenditure on research and development is charged to profit and loss in the period in which it is incurred.

f. Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 5 years. Provision is made for any impairment.

g. Other intangible assets

Intangible fixed assets, other than goodwill, comprise acquired technology, acquired trade names and trademarks and acquired customer base, which are amortised to nil by equal annual instalments over their estimated useful lives. Provision is made for any impairment.

h. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	period of the lease following commissioning
Equipment	3-5 years
Office furniture	2-8 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

i. Investments

Investments in subsidiaries are measured at cost less impairment.

j. 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 relevant 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 the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Verint Systems UK Limited

Notes to the financial statements

For the year ended 31 January 2019

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

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) *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.

(i) *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

k. *Impairment of assets*

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

Non-financial assets

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

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

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.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

l. Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange 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.

m. 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 tax 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

n. Share based payments

The company provides equity-settled share-based payments, in respect of restricted stock units (RSUs) in the parent company, to certain employees (including directors). Equity-settled share-based payments are measured at fair value being the share price of Verint Systems Inc. at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest. A transfer is made from the share option reserve to the profit and loss reserve on an annual basis as the company has no further obligations in respect of the options as they will ultimately vest in the parent company.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

Where the equity settlement is forfeited before the vesting conditions are met any previously recognised expenses in respect of the forfeited options are reversed in the period of forfeiture.

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Notes to the financial statements

For the year ended 31 January 2019

Share option costs are recharged by the parent company. Where the recharge is greater than the capital contribution the excess is debited directly to equity as a distribution.

National Insurance contributions on share options

Provision is made for National Insurance contributions on outstanding share options that are expected to be exercised. The provision is calculated at the latest enacted National Insurance rate applied to the difference between the market value of the underlying shares at the balance sheet date and the option exercise price and allocated over the period from the date of grant to the end of the performance period. The provision is updated each period up to the date of exercise by using the current market value of the shares.

o. Employee benefits

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

p. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

q. 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.

r. Group accounts

The company was, at the end of year, a wholly owned subsidiary of Verint Systems Inc., a company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. These financial statements present information about the company as an individual undertaking. They do not present information regarding the group.

The company and its subsidiaries are included, by full consolidation, in the consolidated financial statements of Verint Systems Inc., a company registered in the state of Delaware in the United States of America. Copies of the financial statements of Verint Systems Inc. are available from 175 Broadhollow Road, Melville, New York 11747, USA.

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.

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Notes to the financial statements For the year ended 31 January 2019

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements, including those involving estimations, that the directors have 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.

Key source of estimation uncertainty – impairment of intangible assets

Determining the asset life and assessing whether intangible assets are impaired requires an estimation of their value in use to the company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

3. Turnover and revenue

An analysis of the company's turnover by class of business is set out below.

	2019 £000	2018 £000
Turnover:		
Sale of software	18,638	17,266
Sale of services	70,580	53,720
Sale of software and services via affiliated companies.	15,977	10,808
	<u>105,195</u>	<u>81,794</u>

The directors have not disclosed information relating to the geographical split of the turnover on the grounds that this would be seriously prejudicial to the interests of the company.

4. Finance income (net)

	2019 £000	2018 £000
Investment income	39	820
Less: Interest payable and similar charges	(628)	(12)
	<u>(589)</u>	<u>808</u>

Investment income

	2019 £000	2018 £000
Net Interest from group undertakings	32	477
Gain on foreign exchange	-	326
Bank interest	7	11
Other interest	-	6
	<u>39</u>	<u>820</u>

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

4. Finance income (net) (continued)

Interest payable and similar charges

	2019 £000	2018 £000
Other interest	-	12
Net Interest to group undertakings	357	-
Loss on foreign exchange	271	-
	<u>628</u>	<u>12</u>

5. Profit on ordinary activities before taxation

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

	2019 £000	2018 £000
Depreciation of tangible fixed assets (note 13)	909	493
Amortisation of goodwill (note 12)	2,582	402
Amortisation of intangible assets (note 12)	3,615	1,211
Gain on disposal of tangible assets	24	-
Research and development	12,963	7,580
Operating lease rentals		
- Other assets	37	31
- Land and buildings	1,181	740
Foreign exchange loss/(gain)	<u>663</u>	<u>(80)</u>

6. Auditor's remuneration

Fees payable to Deloitte (NI) Limited for the audit of the company's annual accounts were £63,600 (2018: £61,150).

7. Staff numbers and costs

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

	2019 £000	2018 £000
Management staff	5	5
Sales	83	53
Administrative, engineering and development staff	625	382
	<u>713</u>	<u>440</u>

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

7. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2019	2018
	£000	£000
Wages and salaries	44,753	29,688
Social security costs	5,954	3,891
Other pension costs	2,684	1,745
Equity settled share based payments	3,506	3,261
	<u>56,897</u>	<u>38,585</u>

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 January 2019 was £2,684,000 (2018: £1,745,000).

8. Directors' remuneration and transactions

	2019	2018
	£000	£000
Directors' remuneration		
Emoluments	272	274
Company contributions to money purchase pension schemes	-	31
	<u>272</u>	<u>305</u>
The number of directors who:	Number	Number
Are members of a defined contribution pension scheme	1	1
Exercised options over shares in the parent company	-	-
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	1	1
	<u></u>	<u></u>
Remuneration of the highest paid director:	2019	2018
	£000	£000
Emoluments	272	274
Company contributions to money purchase pension schemes	-	31
	<u></u>	<u></u>

Two directors (2018: two) are remunerated for their services to the company by another group company, and apportionment is not practicable.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

9. Tax on profit on ordinary activities

The tax charge comprises:

	2019 £000	2018 £000
Current tax on profit on ordinary activities		
UK corporation tax	1,947	1,600
Adjustments in respect of prior years	(320)	(12)
Total current tax	<u>1,627</u>	<u>1,588</u>
Deferred tax		
Origination and reversal of timing differences	(313)	(51)
Total deferred tax (see note 15)	<u>(313)</u>	<u>(51)</u>
Total tax on profit on ordinary activities	<u><u>1,314</u></u>	<u><u>1,537</u></u>

The standard rate of tax applied to reported profit on ordinary activities is 19% (2018: 19.16%). The applicable tax rate has changed following the substantive enactment of the Finance (No 2) Act 2015, which provided for the reduction in the main rate of corporation tax from 20% to 19% on 1 April 2017 and the substantive enactment of the Finance Act 2016, which provided for the reduction in the main rate of corporation tax from 19% to 17% on 1 April 2020. The above rate changes will reduce any future UK corporation tax liabilities of the company.

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
Profit on ordinary activities before tax	<u>6,653</u>	<u>7,233</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2018: 19.16%)	<u>1,264</u>	<u>1,384</u>
Effects of:		
- Expenses not deductible for tax purposes	1,268	93
- Other permanent adjustments	(255)	(162)
- Share based compensation	-	203
- Variance in effective rate and deferred tax rate	(72)	43
- Effect of deferred tax asset not recognised	(65)	(12)
- Effect of recognition of deferred tax on losses	(506)	-
- Adjustments to tax charge in respect of previous periods	(320)	(12)
Total tax charge for period	<u><u>1,314</u></u>	<u><u>1,537</u></u>

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

10. Dividends on equity shares

	2019 £000	2018 £000
Amounts recognised as distributions to equity holders in the period:		
Dividend for the year ended 31 January 2019 of £nil (2018: £62k) per ordinary share	-	6,237
	-	6,237

11. Share-based payments

The company participates in the parent company's restricted stock unit (RSU) scheme. The required disclosures are therefore included in Verint Systems Inc. consolidated financial statements. Verint Systems UK Limited measures its share-based payment expense at fair value being the share price of Verint Systems Inc. at the date of grant.

12. Intangible fixed assets

	Goodwill £000	Capitalised software development £000	Customer base £000	Trade names & trademarks £000	Technology £000	Total £000
At 1 February 2018	4,981	1,611	3,493	76	559	10,720
Additions	23,095	873	5,687	468	9,270	39,393
Disposals	-	(1,611)	-	-	-	(1,611)
At 31 January 2019	28,076	873	9,180	544	9,829	48,502
Amortisation						
At 1 February 2018	488	1,407	317	12	240	2,464
Charge for the year	2,582	204	1,080	106	2,225	6,197
Eliminated on disposal	-	(1,611)	-	-	-	(1,611)
At 31 January 2019	3,070	-	1,397	118	2,465	7,050
Net book value						
At 31 January 2019	25,006	873	7,783	426	7,364	41,452
At 31 January 2018	4,493	204	3,176	64	319	8,256

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss.

On 1 March 2018 the company acquired the trade, certain assets and liabilities of EG Solutions Limited, a sister company within the Verint Group.

On 1 April 2018, the trade and net assets of Nxtera Limited, a subsidiary company, were hived up into the company.

On 21 September 2018, the company acquired the trade, assets and liabilities of Kiran Analytics Limited, a fellow Verint subsidiary.

On 9 November 2018, the company acquired the intellectual property of Voicevault Limited.

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Notes to the financial statements For the year ended 31 January 2019

13. Tangible fixed assets

	Leasehold improvements £000	Equipment £000	Office furniture £000	Total £000
Cost or valuation				
At 1 February 2018	961	3,558	456	4,975
Additions	12	2,545	157	2,714
Acquired in business combinations	-	97	13	110
Disposals	(4)	(238)	(8)	(250)
At 31 January 2019	969	5,962	618	7,549
Depreciation				
At 1 February 2018	752	2,047	304	3,103
Charge for the year	68	774	67	909
Acquired in business combinations	-	17	1	18
Disposals	(2)	(207)	-	(209)
At 31 January 2019	818	2,631	372	3,821
Net book value				
At 31 January 2019	151	3,331	246	3,728
At 31 January 2018	209	1,511	152	1,872

14. Fixed asset investments

	Shares in subsidiary undertakings £'000
At 1 February 2018	11,582
Additions	10
Disposal	(11,582)
At 31 January 2019	10

On 21 December 2017, the company acquired 100% shareholding in Nxtera Limited, a company incorporated in United Kingdom, for cash consideration of £10,000,000 and contingent consideration of £1,500,000. On 1 April 2018, the trade and net assets of Nxtera Limited were then hived up into the company, resulting in the disposals of the investment noted above.

On 13 May 2018, the company established a 100% subsidiary company, Verint Systems Middle East FZ-LLC, a company incorporated in United Arab Emirates, with share capital of AED50,000 (£10,000).

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

14. Fixed asset investments (continued)

The following companies were directly held subsidiary undertakings at the end of the year:

Subsidiary undertakings	Country of registration or incorporation	Registered office	Shares held Class	%
Nxtera Limited	England and Wales	241 Brooklands Road, Weybridge, Surrey KT130RH	Ordinary	100%
Verint Systems Middle East FZ-LLC	Dubai, UAE	2203A, 22 nd Floor, Business Central Towers, Dubai Media City, TECOM (DCCA), PO Box 4705, Dubai, UAE	Ordinary	100%

15. Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade debtors	22,934	19,226
Contract assets	3,557	-
Amounts owed by Group undertakings	6,319	31,137
Deferred tax asset	1,733	967
Other debtors	303	373
Deferred commission asset	2,970	-
Prepayments and accrued income	1,953	1,105
	<u>39,769</u>	<u>52,808</u>
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	<u>5,460</u>	<u>-</u>

Included in amounts owed by group undertakings due after more than one year is a balance of £5,460,000 on which interest is due at 2.75% per annum repayable on 31 January 2024, and in the prior year an amount of £5,470,000 due within one year on which interest was due at 4.36% repayable on 31 January 2019.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

15. Debtors (continued)

Deferred tax asset

Deferred tax is provided as follows:

	2019 £000	2018 £000
Accelerated capital allowances	17	186
Tax Losses	935	-
Other timing differences	781	781
	<u>1,733</u>	<u>967</u>
Provision for deferred tax	1,733	967
	2019 £000	2018 £000
The movement in the deferred taxation account during the year was:		
Balance brought forward	967	465
Transferred in from fellow group companies	673	451
Effect of reserves adjustment	(220)	-
Profit and loss account movement arising during the year	313	51
	<u>1,733</u>	<u>967</u>
Balance carried forward	<u>1,733</u>	<u>967</u>

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the company.

16. Creditors

Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	1,325	1,544
Amounts owed to Group undertakings	13,962	19,781
Corporation tax	273	1,393
Other taxation and social security	4,100	3,367
Other creditors	333	379
Accruals and deferred income	35,470	28,067
	<u>55,463</u>	<u>54,531</u>

Share options, stock bonus programs, phantom stock and restricted stock units granted subsequent to 5 April 1999 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on exercise of such options by UK employees. An accrual of £550,000 has been made at 31 January 2019 (2018: £479,000) based on the year-end share price of \$48.37 (2018: \$41.30) and the elapsed portion of the relevant vesting periods.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

16. Creditors (continued)

Amounts falling due after one year

	2019 £000	2018 £000
Deferred income	1,347	1,532

17. Provisions for liabilities

	Contractual dispute £000	Deferred consideration £000	Total £000
At 1 February 2018	3,037	1,500	4,537
Settlement of contractual dispute	(3,037)	-	(3,037)
Fair value movement on earn out liability	-	500	500
At 31 January 2019	-	2,000	2,000

	2019 £'000	2018 £'000
Amounts due within one year	2,000	3,037
Amounts due after more than one year	-	1,500
At 31 January 2019	2,000	4,537

The provision for deferred consideration is the best estimate of the payment due in respect of deferred consideration relating to the acquisition of Nxtera Limited. Deferred consideration is payable on varying dates within 4 years of the acquisition. The deferred consideration payable depends on certain development milestones and the results of the acquired company over the period.

18. Called-up share capital and reserves

	2019 £000	2018 £000
Allotted, called-up and fully-paid 100 ordinary shares of £1 each	-	-

The company has one class of ordinary shares which carry no right to fixed income.

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Verint Systems UK Limited

Notes to the financial statements For the year ended 31 January 2019

19. Financial commitments

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

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
- within one year	1,165	36	1,028	31
- between two and five years	2,295	26	3,279	39
- after five years	125	-	-	-
	<u>3,585</u>	<u>63</u>	<u>4,307</u>	<u>70</u>

Other financial commitments are disclosed in note 17.

20. Contingent liabilities

The company has entered into a guarantee with HMRC for duty deferment totalling £400,000 (2018: £400,000).

21. Related party transactions

As noted above, Verint Systems UK Limited is a qualifying entity under Financial Reporting Standard 102 and as a wholly-owned subsidiary has taken the exemption available from disclosing transactions between group members.

No additional transactions with related parties were undertaken as such as are required to be disclosed under Financial Reporting Standard 102.

22. Post balance sheet event note

On 24 June 2019, the trade and certain assets and liabilities of Foresee Results Limited, a sister company within the Verint Group, were hived up into the Company.

23. Controlling party

The immediate parent company is Verint WS Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent company and controlling party of Verint Systems UK Limited is Verint Systems Inc., a company incorporated in the state of Delaware in the United States of America. Verint Systems Inc. is also the smallest and largest company in which the accounts of Verint Systems UK Limited are consolidated.

Copies of the financial statements of Verint Systems Inc. are available from 175 Broadhollow Road, Melville, New York 11747, USA. The directors consider Verint Systems Inc. to be the ultimate controlling party.