

Company Registration No. 03595317 (England and Wales)

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	Mr P Slattery Mr A D Roni Mr G Roni
Company number	03595317
Registered office	4th Floor, 3 Assembly Square Britannia Quay Cardiff Bay Cardiff CF10 4PL
Auditor	Hampden Hampden House 76 Durham Road London SW20 0TL

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

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SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

Business model

The company is acting as a low risk distributor for software products that were developed by its parent company. We are a leading global provider of software solutions for the insurance industry with a growing presence in the financial services sector. Our robust expertise in the insurance industry is reflected in our innovative software solutions for providers of Life, Annuities and Pensions Insurance (L&P), enabling our customers to manage their core business functions, including policy administration, claims management and billing.

Services

Our services modernise and automate processes for insurance providers and financial institutions around the world, helping to create greater organisational efficiencies, reduce costs and provide a better end user experience.

Our services include:

- Project delivery and implementation
- Business and technical consulting related to our products
- Project and program management
- Training
- User acceptance testing
- Migration
- Maintenance services
- Ongoing support services
- Hosting
- Product upgrades

Built on a solid foundation of insurance domain expertise, proven technology and a history of successful deployments, our organisation assists clients in identifying and eliminating IT barriers to achieve business objectives.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

We operate globally in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. The following section lists some, but not all of the those risks and uncertainties that may have a material adverse effect on the business, financial position, results of operations or cash flows.

Risk relating to our business, our industry and our financing activities

Our sales cycle is variable and often lengthy, depends upon many factors outside our control, and requires us to expend significant time and resources prior to generating associated revenues.

If existing customers are not satisfied with our solutions and services and either do not make subsequent purchases from us or do not continue using such solutions and services, or if our relationships with our largest customers are impaired, our revenue could be negatively affected.

We may be liable to our clients for damages caused by a violation of intellectual property rights, the disclosure of other confidential information, including personally identifiable information, systems failures, errors or unsatisfactory performance of services, and our insurance policies may not be sufficient to cover these damages. Changes in privacy regulations may impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.

Errors or defects in our software solutions could inevitably arise and would harm our profitability and our reputation with customers, and could even give rise to liability claims against us.

Failure to meet customer expectations with respect to the implementation and use of our solutions could result in negative publicity, reduced sales and diversion of resources.

Our business involves long-term, large projects, some of which are fixed-price projects that involve uncertainties, such as estimated project costs and profit margins, and which can therefore adversely affect our results of operations.

The market for software solutions and related services is highly competitive.

Incorrect or improper use of our products or our failure to properly train customers on how to implement or utilise our products could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition and growth prospects.

We and our customers rely on technology and intellectual property of third parties, the loss of which could limit the functionality of our products and disrupt our business.

We could be required to provide the source code of our products to our customers.

Some of our services and technologies may use "open source" software, which may restrict how we use or distribute our services or require that we release the source code of certain products subject to those licences.

Risks relating to our International operations

Our international sales and operations subject us to additional risks that can adversely affect our business, results of operations and financial condition.

International operations in the insurance industry, in which a significant portion of our business is concentrated, is accompanied by additional costs related to adaptation to specific territories.

Our international operations expose us to risks associated with fluctuations in foreign currency exchange rates that could adversely affect our business.

On behalf of the board

Mr P Slattery

Director

23 December 2020

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company continued to be that of a global provider of innovative software solutions for the life and pensions market. The company offer core, end to end solutions for the life, pension and annuity markets in United Kingdom and Europe.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P Slattery
Mr A D Roni
Mr G Roni

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Hampden were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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). 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;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board

Mr P Slattery
Director

23 December 2020

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Sapiens (UK) Insurance Software Solutions Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Mr Inderjith Sivilal (Senior Statutory Auditor)
for and on behalf of Hampden

23 December 2020

Chartered Accountants
Statutory Auditor

Hampden House
76 Durham Road
London
SW20 0TL

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	19,391,086	18,481,946
Cost of sales		(17,044,226)	(16,590,284)
Gross profit		2,346,860	1,891,662
Administrative expenses		(1,873,450)	(1,726,848)
Other operating (expenses)/income		(223,486)	288,970
Operating profit	4	249,924	453,784
Interest receivable and similar income	6	-	1,168
Profit before taxation		249,924	454,952
Tax on profit	7	(40,050)	(136,739)
Profit for the financial year		209,874	318,213

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Profit for the year	209,874	318,213
Other comprehensive income	-	-
Total comprehensive income for the year	<u>209,874</u>	<u>318,213</u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	8	309,130		137,196	
Investments	9	2,792		1	
		<u>311,922</u>		<u>137,197</u>	
Current assets					
Debtors	11	10,383,538		7,821,028	
Cash at bank and in hand		2,606,271		3,620,724	
		<u>12,989,809</u>		<u>11,441,752</u>	
Creditors: amounts falling due within one year	12	<u>(6,534,390)</u>		<u>(5,038,292)</u>	
Net current assets		<u>6,455,419</u>		<u>6,403,460</u>	
Total assets less current liabilities		<u>6,767,341</u>		<u>6,540,657</u>	
Provisions for liabilities	13	<u>(16,810)</u>		<u>-</u>	
Net assets		<u><u>6,750,531</u></u>		<u><u>6,540,657</u></u>	
Capital and reserves					
Called up share capital	15	1		1	
Share option fund		33,964		33,964	
Profit and loss reserves		<u>6,716,566</u>		<u>6,506,692</u>	
Total equity		<u><u>6,750,531</u></u>		<u><u>6,540,657</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 23 December 2020 and are signed on its behalf by:

Mr P Slattery
Director

Company Registration No. 03595317

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Share option	Profit and fundloss reserves	Total
	Notes	£	£	£	£
Balance at 1 January 2018		1	32,434	6,188,479	6,220,914
Year ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	318,213	318,213
Redemption of shares	15	-	1,530	-	1,530
Balance at 31 December 2018		1	33,964	6,506,692	6,540,657
Year ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	209,874	209,874
Balance at 31 December 2019		1	33,964	6,716,566	6,750,531

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Sapiens (UK) Insurance Software Solutions Limited is a private company limited by shares incorporated in England and Wales. The registered office is 4th Floor, 3 Assembly Square, Britannia Quay, Cardiff Bay, Cardiff, CF10 4PL.

1.1 Accounting convention

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of the ultimate parent company, Sapiens International Corporation NV. These consolidated financial statements are available from the company's registered office.

Consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Sapiens (UK) Insurance Software Solutions Limited is a wholly owned subsidiary of Sapiens International Corporation BV and the results of Sapiens (UK) Insurance Software Solutions Limited are included in the consolidated financial statements of Sapiens International Corporation NV which are publicly available and are drawn up in accordance with EEC 7th directive.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold property	Straight line over 5 years
Furniture, fixtures and fittings	Straight line over 3 years
Computer equipment and software	Straight line over 3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been made the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Annual bonus plan

The company operates an annual bonus plan for its employees and expenses is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan.

Share based payment

The company participates in a share based payment arrangement established by the ultimate parent company. The company recognises the share based payment expenses on the basis of the relative remuneration cost of the relevant employees. The corresponding credit is recognised as a component of equity.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2019	2018
	£	£
Other significant revenue		
Interest income	-	1,168
	<u> </u>	<u> </u>
	2019	2018
	£	£
Turnover analysed by geographical market		
Europe	4,054,518	1,005,525
United Kingdom	4,125,141	5,817,591
Rest of the world	11,211,427	11,658,830
	<u> </u>	<u> </u>
	19,391,086	18,481,946
	<u> </u>	<u> </u>

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	233,644	(72,182)
Fees payable to the company's auditor for the audit of the company's financial statements	8,000	8,000
Depreciation of owned tangible fixed assets	71,373	86,990
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2019	2018
Number	Number
57	74
<u> </u>	<u> </u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5	Employees	(Continued)	
	Their aggregate remuneration comprised:		
		2019	2018
		£	£
	Wages and salaries	6,863,290	6,745,595
	Social security costs	321,774	376,785
		<u>7,185,064</u>	<u>7,122,380</u>
		<u><u>7,185,064</u></u>	<u><u>7,122,380</u></u>
6	Interest receivable and similar income		
		2019	2018
		£	£
	Interest income		
	Interest on bank deposits	-	1,168
		<u>-</u>	<u>1,168</u>
		<u><u>-</u></u>	<u><u>1,168</u></u>
7	Taxation		
		2019	2018
		£	£
	Current tax		
	UK corporation tax on profits for the current period	19,609	105,200
	Adjustments in respect of prior periods	1,931	41,807
		<u>21,540</u>	<u>147,007</u>
	Total current tax	<u>21,540</u>	<u>147,007</u>
		<u><u>21,540</u></u>	<u><u>147,007</u></u>
	Deferred tax		
	Origination and reversal of timing differences	18,510	(10,268)
		<u>18,510</u>	<u>(10,268)</u>
		<u><u>18,510</u></u>	<u><u>(10,268)</u></u>
	Total tax charge	<u>40,050</u>	<u>136,739</u>
		<u><u>40,050</u></u>	<u><u>136,739</u></u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	249,924	454,952
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	47,486	86,441
Permanent capital allowances in excess of depreciation	(10,340)	11,568
Research and development tax credit	(1,930)	290
Share based payment charge	-	(8,706)
Under/(over) provided in prior years	1,931	41,807
Deferred tax adjustments in respect of prior years	18,510	(10,268)
Prior year accrued expenses now reversed	(15,607)	15,607
Taxation charge for the year	40,050	136,739

8 Tangible fixed assets

	Leasehold property £	Furniture, fixtures and fittings £	Computer equipment and software £	Total £
Cost				
At 1 January 2019	31,752	683,140	1,580,073	2,294,965
Additions	131,941	-	111,366	243,307
Disposals	(5,053)	(487,253)	(1,442,353)	(1,934,659)
At 31 December 2019	158,640	195,887	249,086	603,613
Depreciation and impairment				
At 1 January 2019	20,809	578,985	1,557,975	2,157,769
Depreciation charged in the year	11,822	33,565	25,986	71,373
Eliminated in respect of disposals	(5,053)	(487,253)	(1,442,353)	(1,934,659)
At 31 December 2019	27,578	125,297	141,608	294,483
Carrying amount				
At 31 December 2019	131,062	70,590	107,478	309,130
At 31 December 2018	10,943	104,155	22,098	137,196

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	10	2,792	1

Movements in fixed asset investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2019	1
Additions	2,791
At 31 December 2019	2,792
Carrying amount	
At 31 December 2019	2,792
At 31 December 2018	1

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
FIS France	France	Ordinary shares	100.00
FIS-AU Pty Limited	Australia	Ordinary shares	100.00
FIS Software B.V. - Dormant	Netherlands	Ordinary shares	100.00
Formula Insurance Solutions, Espania - Dormant	Spain	Ordinary shares	100.00
Sapiens SA (PTY) Limited	South Africa	Ordinary shares	100.00
Sapiens Software Solutions (Norway) AS	Norway	Ordinary shares	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
FIS France	(551,028)	33,899
FIS-AU Pty Limited	872,004	308,691
FIS Software B.V. - Dormant	(5,990)	
Formula Insurance Solutions, Espania - Dormant	(1,310,790)	
Sapiens SA (PTY) Limited	(61,215)	23,640
Sapiens Software Solutions (Norway) AS	(9,980)	8,799

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	2,963,077	2,424,911
Corporation tax recoverable	-	31,838
Amounts owed by group undertakings	6,306,107	4,103,273
Other debtors	2,878	3,684
Prepayments and accrued income	1,111,476	1,255,622
	<u>10,383,538</u>	<u>7,819,328</u>
Deferred tax asset (note 14)	-	1,700
	<u>10,383,538</u>	<u>7,821,028</u>

12 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	236,235	38,250
Amounts owed to group undertakings	3,421,818	1,892,860
Corporation tax	101,928	-
Other taxation and social security	431,886	326,313
Other creditors	21,398	26,196
Accruals and deferred income	2,321,125	2,754,673
	<u>6,534,390</u>	<u>5,038,292</u>

13 Provisions for liabilities

	Notes	2019	2018
		£	£
Deferred tax liabilities	14	<u>16,810</u>	<u>-</u>

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Liabilities	Assets	Assets
	2019	2018	2019	2018
	£	£	£	£
Balances:				
Accelerated capital allowances	16,810	-	-	(4,138)
Share based payments	-	-	-	5,838
	<u>16,810</u>	<u>-</u>	<u>-</u>	<u>1,700</u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14	Deferred taxation	(Continued)
		2019
	Movements in the year:	£
	Asset at 1 January 2019	(1,700)
	Charge to profit or loss	18,510
	Liability at 31 December 2019	<u>16,810</u>

The deferred tax liability set out above is expected to reverse within the next few years and relates to accelerated capital allowances that are expected to mature within the same period.

15	Share capital	2019	2018
		£	£
	Ordinary share capital		
	Issued and fully paid		
	1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

16 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	-	313,862
Between two and five years	833,877	678,408
In over five years	650,141	-
	<u>1,484,018</u>	<u>992,270</u>

17 Related party transactions

In accordance with FRS 102, paragraph 33.1A the company is exempt from disclosure of related party transactions, as the company and its related parties are wholly owned subsidiaries of Sapiens International Corporation NV, the ultimate parent company.

18 Ultimate controlling party

The immediate parent company is Sapiens International Corporation BV, a company registered in the Netherlands.

The ultimate parent company is Sapiens International Corporation NV, a company incorporated and registered in the Dutch Antilles.

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