

POLARIS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



POLARIS UK LIMITED

COMPANY INFORMATION

Directors

V Banga
H Bryant
R Flynn
S McGinn
S Pearce
S Purves
D Soni
C Taylor
P Tombs
D Whittaker

Secretary

Aviva Company Secretarial Services Limited

Company number

2911441

Registered office

4th Floor
6 London Street
London
EC3R 7LP

Auditor

Wilkins Kennedy Audit Services
2nd Floor
Regis House
45 King William Street
London
United Kingdom
EC4R 9AN

POLARIS UK LIMITED

CONTENTS

	Page
Strategic report	1 - 4
Directors' report	5 - 6
Directors' responsibilities statement	7
Independent auditor's report	8 - 10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 28

POLARIS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Change of Managing Director

Martin McLachlan resigned as Managing Director of the Company on 30 April 2019 and Vivek Banga was formally appointed to the post on the same day. Vivek has a background in digital trading having worked in such roles since 2005, both for UK insurance companies and a major global broker. He worked alongside Martin McLachlan during a three month handover period.

Fair review of the business

The company's principal activity continues to be to facilitate electronic and online trading in the retail general insurance marketplace. This is done by providing three core products and services – Standards for electronically or online traded insurance products, ProductWriter rating software that enables insurers to quote for electronically or online traded insurance risks in accordance with their underwriting rules and an imarket infrastructural technology service that allows insurers and brokers to electronically transact commercial insurance business. .

The financial performance of the company is monitored by its Finance Committee which consists of three non-executive directors from insurer organisations, the Finance Manager and the Managing Director.

Results and performance

The results of the company for the year, as set out on page 9, show a profit on ordinary activities before tax of £132,039 (2018: £112,494).

The profit of the company during 2019 was higher than in 2018 due to an increase in revenue and reduction in some costs, both on-going and project linked. As online trading continues to grow in the UK insurance market, new licenses were issued during the year for Standards and ProductWriter services.

At the end of 2019 the number of active clients for Standards and ProductWriter combined and the number of policies transacted via imarket were higher than at the end of any previous year.

Business environment

The UK general insurance industry is highly competitive with constant pressure on participants to automate online trading where possible, and streamline operations. The Directors believe that the company – which is 100% owned by UK insurers and brokers and engages widely with the industry formally and informally - has a key role to play in achieving this goal. Regulatory and legislative changes have constantly required the market to amend its processes and the company has played an important role in this area too.

At the time of this report, the Covid-19 pandemic has caused significant disruption to economic activity, financial markets and the daily lives of a significant part of the world's population. The pandemic is ongoing and its lasting effects on the UK economy and its insurance industry are yet to emerge. While day to day online trading of insurance risks (and related usage of the company's products and services) is continuing, in 2020-21, there might be an impact on the company's revenues if an economic downturn leads to a reduction in available business in the market or if some of the company's clients exit the market.

POLARIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Strategy

The company's strategy continues to be to reinvest the cash generated from its operations in the development of its three core offerings - Standards, ProductWriter and imarket - and the services that support them. As these three products and services are widely used in the general insurance industry, their continued development directly supports the company's core objective of facilitating electronic and online trading in the industry.

New clients for ProductWriter were secured during the year and the investment programme in this software continued. The company introduced a Cloud version of ProductWriter making it easier for clients to manage their insurance product development and rating activities. Some clients are making the transition to the Cloud version and new clients are being offered this version by default. The non-Cloud version will continue to be supported for the foreseeable future on account of its widespread usage. A successful Machine Learning related pilot was completed for ProductWriter and the resulting enhancements will be offered more widely in 2020. The company's imarket infrastructure, which links brokers and insurers in the transaction of commercial lines insurances, experienced growth in held policy count of 32.6% over the previous year and enjoys support of the four largest software houses in the commercial lines insurance broking sector. A Live Chat service was successfully integrated with imarket, allowing insurance brokers to securely discuss or clarify risk related information with insurers. Standards continued to evolve in 2019 especially those linked to B2C trading of insurance, and new clients were also secured, both in Personal Lines and Commercial Lines market segments.

As in previous years, Good Customer Outcomes continued to underpin all of the company's activities and development projects.

Key performance indicators

The company's financial KPIs are turnover, operating profit and profit / (loss) before tax. These KPIs indicate the volume of work the company has undertaken as well as the efficiency and profitability with which this work has been delivered. Industry adoption of the company's products, as measured by client or policy count is also significant as the company is entirely owned by the UK insurance industry.

Financial KPI for the year and prior years was as follows:

	2019	2018	2017	2016	2015
	£	£	£	£	£
Turnover	6,736,655	6,493,547	6,410,654	6,267,514	5,895,210
Operating profit	95,535	86,076	146,380	124,686	146,199
Profit before tax	132,039	112,294	156,430	181,792	127,986

imarket transactions

In respect of non-financial KPI, Polaris management has a key focus on the growth of imarket transactions (new business quotes, mid-term adjustments and renewals) and these are detailed below:

Year growth over previous year

2019	32.6%
2018	31.4%
2017	32.1%
2016	24.5%
2015	31.8%

Industry adoption at end of 2019

Unique clients for Standards and / or ProductWriter exceeded 100 at the end of the year, the first time this milestone has been achieved. Several clients have multiple licenses for the company's products.

imarket policy count for the year was 462,772 which represented an all-time high for this service.

POLARIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Charitable endeavours

In 2019, the company started supporting Blackfriars Settlement Positive Aging, a local charity that runs activity programmes for people aged 60 or over who are isolated. The charity aims to build and support a community that brings such people together and also enliven their days. Activities undertaken to assist the charity included takeover of their kitchen to prepare meals for the community that they support and buying new equipment for their kitchen from funds raised by the Polaris team. The team at the charity are very appreciative of the support provided by the company and this association has also generated much enthusiasm within the company. This collaboration will be resumed after the current pandemic related restrictions are relaxed.

Principal risks and uncertainties

The company maintains a full risk register which is reviewed by the board regularly with new risks highlighted to the board immediately after they are identified.

The company has always regarded the security of its customers as a key priority. This was formalised by gaining ISO 27001 status.

The key risks facing the company are:

1. COVID-19

At the time of this report, the Covid-19 pandemic has caused significant disruption to economic activity, financial markets and the daily lives of a significant part of the world's population. The pandemic is ongoing and the lasting effects on the world's economies is not yet known. For Polaris, the financial impact could be loss of license income, on account of a reduction in premiums written by insurers who use the company's products and/or due to any insurers deciding to exit the market. The company has modelled potential scenarios and is confident that it can take a range of actions and also has the cash reserves to mitigate the likely financial impact of such outcomes, while continuing to progress its business strategy. It is possible that the company's staff might have to continue to work remotely for a sustained period of time and current experience of remote working highlights that this is manageable without any noticeable impact on the quality of service and support provided to the company's clients.

2. Competition

Like all companies, Polaris faces competitive pressure in its major business areas, especially Product/Writer. An active account management programme to ensure clients' views are known is undertaken by the company and this is accompanied by substantial annual investment. Together, we believe these activities mitigate this risk.

3. Loss of key staff

Recruitment of staff with the skillset required by Polaris can be difficult. However, having an office in the City of London means the company can access a large pool of contract staff if necessary.

4. A terrorist attack in the City of London

Whilst Polaris is unlikely to be a target for this type of risk, its office location in the City of London means that such an event could affect it significantly. The company maintains a comprehensive disaster recovery plan which is reviewed regularly and tested biennially.

5. Brexit

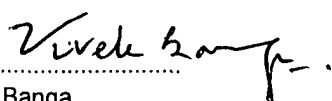
Following a review, the Polaris board believes that Brexit will have a limited impact on the Company's ProductWriter and Standards business. However, to ensure full compliance with GDPR, Polaris has appointed Inse-com in Dublin as its EU representative for data protection matters. imarket is only available to UK brokers and is therefore not impacted by Brexit.

POLARIS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board


.....
V Banga
Director
12/08/2020

POLARIS UK 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 continues to be to provide infra-structural information technology based services which facilitate electronic trading in the retail general insurance marketplace.

Directors

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

V Banga	(Appointed 30 April 2019)
H Bryant	(Appointed 8 January 2019)
R Flynn	(Appointed 28 January 2020)
S McGinn	
S Pearce	
S Purves	(Appointed 30 April 2019)
D Soni	
C Taylor	(Appointed 8 January 2019)
P Tombs	(Appointed 28 January 2020)
D Whittaker	(Appointed 30 April 2019)
F Boisseau	(Resigned 8 January 2019)
H Canham	(Resigned 30 April 2019)
J Dawson	(Resigned 20 December 2019)
T Ducker	(Resigned 8 January 2019)
P Johnson	(Resigned 30 April 2019)
R Lester	(Resigned 8 January 2019)
D Martin	(Resigned 8 January 2019)
M McLachlan	(Resigned 30 April 2019)
N Shah	(Resigned 8 January 2019)
P Trivett	(Resigned 4 December 2019)

Results and dividends

The results for the year are set out on page 11.

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

Directors' insurance

The company maintains a Directors' and Officers insurance policy for certain directors of the company.

Financial instruments

The company's operations exposes it to certain financial risk. The most important components of this financial risk are liquidity and credit risk. The company seeks to limit any adverse effects of these risks by developing appropriate policies which are implemented by the company's management.

Going concern

The directors consider the company has adequate resources and sufficient funding to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Research and development

The company continues to invest in the development of its software, services and standards.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Strategic report

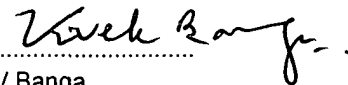
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

Review of business;
Financial risk management objectives; and
Future developments

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.

On behalf of the board



V Banga
Director

Date: 12/28/2020

POLARIS UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

POLARIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POLARIS UK LIMITED

Opinion

We have audited the financial statements of Polaris UK Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

POLARIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POLARIS UK LIMITED

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.

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.

POLARIS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POLARIS UK LIMITED

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.

 *Wilkins Kennedy Audit Services*

Dan Graves BA(Hons) FCA (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy Audit Services

20/08/2020

Statutory Auditor

2nd Floor
Regis House
45 King William Street
London
United Kingdom
EC4R 9AN

POLARIS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

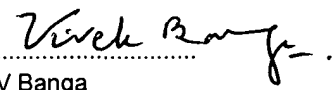
	Notes	2019 £	2018 £
Turnover	3	6,736,655	6,493,547
Cost of sales		(3,663,876)	(3,803,343)
Gross profit		3,072,779	2,690,204
Administrative expenses		(2,977,244)	(2,604,128)
Operating profit	4	95,535	86,076
Interest receivable and similar income		36,504	26,418
Profit before taxation		132,039	112,494
Tax on profit	8	(28,401)	(25,314)
Profit for the financial year		103,638	87,180

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

POLARIS UK LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	9		135,214		108,575
Current assets					
Debtors	10	2,364,824		2,608,915	
Cash at bank and in hand		6,830,643		6,518,106	
		<u>9,195,467</u>		<u>9,127,021</u>	
Creditors: amounts falling due within one year	11	<u>(6,930,962)</u>		<u>(7,027,488)</u>	
Net current assets			<u>2,264,505</u>		<u>2,099,533</u>
Total assets less current liabilities			2,399,719		2,208,108
Creditors: amounts falling due after more than one year	12		(71,266)		-
Provisions for liabilities	14		<u>(60,371)</u>		<u>(43,664)</u>
Net assets			<u>2,268,082</u>		<u>2,164,444</u>
Capital and reserves					
Called up share capital	15	7,431,664		7,431,664	
Profit and loss reserves		<u>(5,163,582)</u>		<u>(5,267,220)</u>	
Total equity			<u>2,268,082</u>		<u>2,164,444</u>

The financial statements were approved by the board of directors and authorised for issue on 12/08/2020 and are signed on its behalf by:


V Banga
Director

Company Registration No. 2911441

POLARIS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2018	7,431,664	(5,354,400)	2,077,264
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	87,180	87,180
Balance at 31 December 2018	7,431,664	(5,267,220)	2,164,444
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	103,638	103,638
Balance at 31 December 2019	7,431,664	(5,163,582)	2,268,082

POLARIS UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	21	381,501		530,165	
Income taxes paid		(28,344)		(35,971)	
Net cash inflow from operating activities		353,157		494,194	
Investing activities					
Purchase of tangible fixed assets		(77,124)		(28,813)	
Interest received		36,504		26,418	
Net cash used in investing activities		(40,620)		(2,395)	
Net increase in cash and cash equivalents		312,537		491,799	
Cash and cash equivalents at beginning of year		6,518,106		6,026,307	
Cash and cash equivalents at end of year		6,830,643		6,518,106	

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Polaris UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is New London House, 6 London Street, London, EC3R 7LP.

1.1 Accounting convention

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 certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

After reviewing the company's forecasts and projections and taking into account the economic conditions and possible changes in trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Turnover

Licence fees receivable from the sale of software licences and internet subscriptions are credited to the income statement in the period in which the fee is payable. Income from annual subscriptions and support and maintenance fees is accrued throughout the period to which it relates; therefore, income relating to future periods is deferred and included within creditors (notes 11 and 12), and income relating to the current period but which has not been invoiced at the balance sheet date is reflected within accrued income in debtors (note 10).

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.

At each reporting date, property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior year. A reversal of impairment is recognised immediately in the income statement.

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:

Plant and equipment	25% on cost
Fixtures and fittings	15% on cost
Computers	33% on cost

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

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 Cash at bank and in hand

Cash at bank and in hand 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.

1.6 Financial instruments

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.

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.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Derecognition of financial liabilities

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.7 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.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusions of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.8 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

1.9 Pension costs and other post-retirement benefits

Short-term employee benefits, including holiday entitlement and other non-monetary benefits, and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

The company recognises an accrual for accumulated annual leave accrued by employees as a result of services rendered in the current period for which employees can carry forward and use within the next year. The accrual is measured at the salary cost of the respective employee in relation to the period of absence.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

1.10 Hire purchase and leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

1.11 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.

1.12 Cost of sales

Cost of sales represent expenditure on research and other development costs most of which is incurred with third party contractors.

1.13 Trade and other receivables

Trade and other receivables are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest. Loans are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

1.14 Trade and other payables

Trade and other payables are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at prevailing market rate of interest. Other financial liabilities are initially measured at fair value net of their transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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.

The key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Income recognition - see further detail in the turnover accounting policy; and
Deferred income - see further detail in the turnover accounting policy.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Turnover and other revenue

The directors consider that the company has carried out one class of business during the year. All of the company's turnover originated in either the United Kingdom or the Irish Republic. Costs, assets and liabilities are common to both geographical market segments and hence segment results and net assets have not been analysed by geographical destination. Turnover is analysed as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Annual licence subscriptions and support and maintenance fees	6,736,655	6,493,547
	<u>6,736,655</u>	<u>6,493,547</u>
	2019 £	2018 £
Other significant revenue		
Interest income	36,504	26,418
	<u>36,504</u>	<u>26,418</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	6,154,025	5,941,374
Republic of Ireland	582,630	552,173
	<u>6,736,655</u>	<u>6,493,547</u>

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	1,817	4,562
Depreciation of owned tangible fixed assets	50,485	44,869
Operating lease charges	201,718	181,543
	<u>201,718</u>	<u>181,543</u>

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	22,000	21,500
	<u>22,000</u>	<u>21,500</u>
For other services		
Taxation compliance services	1,650	1,650
All other non-audit services	4,686	-
	<u>6,336</u>	<u>1,650</u>

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Employees

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

2019 Number	2018 Number
19	17

Their aggregate remuneration, including amounts paid to directors, comprised:

	2019 £	2018 £
Wages and salaries	1,576,916	1,352,582
Social security costs	190,431	160,949
Pension costs	138,893	80,433
	<u>1,906,240</u>	<u>1,593,964</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	398,988	286,710
Company pension contributions to defined contribution schemes	9,167	-
	<u>408,155</u>	<u>286,710</u>

Remuneration disclosed above include the following amounts received or receivable by the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	<u>286,332</u>	<u>286,710</u>

The Managing Directors were the only executive directors employed during the year. Neither the Chairman nor any other director received any remuneration during the year.

No amount of money or assets was received or receivable by directors under long-term incentive schemes in respect of qualifying services (2018: £Nil). The number of directors for whom retirement benefits are accruing under defined contributions schemes amounted to 1 (2018: Nil).

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	24,958	28,550
Benefit arising from a previously unrecognised tax loss or credit	(206)	(17)
Total current tax	<u>24,752</u>	<u>28,533</u>
Deferred tax		
Origination and reversal of timing differences	<u>3,649</u>	<u>(3,219)</u>
Total tax charge	<u>28,401</u>	<u>25,314</u>

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	<u>132,039</u>	<u>112,494</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	25,087	21,374
Tax effect of expenses that are not deductible in determining taxable profit	4,357	3,489
Change in unrecognised deferred tax assets	3,649	(3,219)
Permanent capital allowances in excess of depreciation	(5,999)	2,174
Overprovided in prior years	(206)	(17)
Tax impact of FRS 102 loan adjustment	<u>1,513</u>	<u>1,513</u>
Taxation charge for the year	<u>28,401</u>	<u>25,314</u>

A deferred tax liability of £27,043 (2018: £23,394) has been replaced in these financial statements. Of this balance, £20,277 (2018: £16,004) has been recognised at 31 December 2019 on the excess of net book values over the tax written down values of fixed assets (note 9). In addition, a deferred tax liability of £6,766 (2018: £7,390) has been recognised in respect of timing differences in relation to adjustments arising from conversion to FRS 102. The amount is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities are recovered.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2019	42,391	164,252	48,881	255,524
Additions	23,995	37,049	16,080	77,124
At 31 December 2019	66,386	201,301	64,961	332,648
Depreciation and impairment				
At 1 January 2019	31,041	80,136	35,772	146,949
Depreciation charged in the year	11,019	26,658	12,808	50,485
At 31 December 2019	42,060	106,794	48,580	197,434
Carrying amount				
At 31 December 2019	24,326	94,507	16,381	135,214
At 31 December 2018	11,350	84,116	13,109	108,575

10 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	411,736	637,192
Other debtors	357,340	405,392
Prepayments and accrued income	1,445,225	1,415,808
	2,214,301	2,458,392
Amounts falling due after more than one year:		
Other debtors	150,523	150,523
Total debtors	2,364,824	2,608,915

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Other borrowings	13	3,454,040	3,454,040
Trade creditors		161,656	193,756
Corporation tax		24,958	28,550
Deferred income		2,614,233	2,351,305
Other creditors		531,470	751,299
Accruals and deferred income		144,605	248,538
		<u>6,930,962</u>	<u>7,027,488</u>

12 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Deferred income		<u>71,266</u>	<u>-</u>

13 Loans and overdrafts

	2019 £	2018 £
Loans from related parties	<u>3,454,040</u>	<u>3,454,040</u>
Payable within one year	<u>3,454,040</u>	<u>3,454,040</u>

The shareholder loans are unsecured and repayable on demand. The shareholders have waived their right to interest for the year.

The loans are provided by the companies listed in Note 19 and no other parties.

14 Provisions for liabilities

	Notes	2019 £	2018 £
Dilapidations provision		33,328	20,270
Deferred tax liabilities		<u>27,043</u>	<u>23,394</u>
		<u>60,371</u>	<u>43,664</u>

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Provisions for liabilities

Movements on provisions apart from deferred tax liabilities:

	Dilapidation provision
	£
At 1 January 2019	20,270
Amounts charged to Profit and Loss account in the year	13,058
	<u>33,328</u>
At 31 December 2019	<u>33,328</u>

Other provisions arise from anticipated dilapidation in respect of the company's premises, and which are charged on a straight line basis to the profit and loss account, across the lease term.

15 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
7,431,664 Ordinary of £1 each	<u>7,431,664</u>	<u>7,431,664</u>

16 Financial commitments, guarantees and contingent liabilities

On 21 December 2016, the company entered into a five year effective from 1 July 2017 in respect of development and support of the electronic trading portal for use by intermediaries and insurers in the general insurance market. The contract value for the 5 year period, and excluding any interest and inflationary increases, amounts to £3.45 million. The commitment at 31 December 2019, and which includes the outstanding contract obligations under the former contract, amounts to £Nil million (2018: £Nil million) excluding any inflationary increase.

The terms from the contract regarding the termination for convenience is detailed below:

- From July 2020 (the third year following the Migration Acceptance Date) then the start of the year termination payment totals £90,000;
- In the fourth year following the Migration Acceptance Date then the start of year termination payment totals £64,000;
- In the fifth year following the Migration Acceptance Date then the start of year termination payment totals zero.

The company has a contractual commitment to pay an annual service charge in respect of maintenance and development of information technology systems. The charge for 2020 will be £2,414,487 (2019: £2,351,685) plus VAT. The commitment is for seven years from 1 January 2018.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Operating lease commitments

Lessee

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	190,722	215,240
Between two and five years	542,490	628,147
In over five years	-	41,730
	<u>733,212</u>	<u>885,117</u>

An amount of £653,770 (2018: £820,690) relates to the company's office lease signed on 25 March 2015. The annual amount committed to be paid in the following year in respect of this lease amounts to £111,280 (2018: £166,920). The amount disclosed above is the total commitment for the entire lease term of 10 year. The lease includes a review date at 25 March 2020.

An amount £79,442 (2018: £64,427) relates to IT managed service facility. The annual commitment to be paid in the following year in respect of this service amounts to £79,442.

18 Events after the reporting date

On 11 March 2020 the World Health Organisation declared Covid-19 a pandemic. The virus has spread across the globe resulting in widespread restrictions on economic activity and daily life. Global financial markets have reacted sharply. The lasting effects of the pandemic are not yet known. The Directors will continue to monitor the impact of the virus on the activities of the Company.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Related party transactions

The majority of share capital (93.30%) is owned by the six companies listed below, each of which is represented on the board. As such, these companies are related parties under FRS 102. Transactions arise with the investors on an arms' length basis. Additionally, the shareholders have made various loans to the company as detailed in note 13 and the shareholders are acting as guarantors to the financial commitments detailed in note 16. The following transactions in respect of software and services occurred during the year ended 31 December 2019:

	Net Turnover 2019 £	Loans at 31 December 2019 £	Net Trade at 31 December 2019 £
Aviva	796,674	869,827	(217,247)
Zurich Financial Services	610,893	606,944	149,544
AXA	576,526	563,435	(131,965)
RSA	554,839	549,848	(127,550)
Allianz Insurance	469,948	431,993	-
Ageas Insurance Limited	558,767	431,993	-
	<u>3,567,647</u>	<u>3,454,040</u>	

There have been no transactions with any other shareholders who own more than 1.5% of the share capital or have board representation.

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19 Related party transactions

The following transactions in respect of software and services occurred during the year ended 31 December 2018:

	Net Turnover 2018 £	Loans at 31 December 2018 £	Net Trade at 31 December 2018 £
Aviva	728,674	869,827	(220,785)
Zurich Financial Services	594,197	606,944	(156,067)
AXA	573,143	563,435	(154,889)
RSA	691,441	549,848	(150,592)
Allianz Insurance	456,744	431,993	33,135
Ageas Insurance Limited	532,289	431,993	13,919
	<u>3,576,488</u>	<u>3,454,040</u>	

20 Directors' transactions

Advances or credits have been granted by the company to its directors as follows:

	2019 £	2018 £
M B McLachlan		
Balance outstanding at the start of the year	-	4,300
Amounts advanced	-	-
Amounts repaid	-	(4,300)
Balance outstanding at end of year	-	-

During the year the company reimbursed travel and entertainment expenses to V Banga and M McLachlan. At the year end £Nil was owed to V Banga (2018: £2,681 was owed to M McLachlan).

Key management personnel received total compensation of £717,072 (2018: £665,221).

POLARIS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	103,638	87,180
Adjustments for:		
Taxation charged	28,401	25,314
Investment income	(36,504)	(26,418)
Depreciation and impairment of tangible fixed assets	50,485	44,869
Increase in provisions	13,058	5,405
Movements in working capital:		
Decrease/(increase) in debtors	244,091	(526,955)
(Decrease)/increase in creditors	(355,862)	687,880
Increase in deferred income	334,194	232,890
Cash generated from operations	<u>381,501</u>	<u>530,165</u>

22 Analysis of changes in net funds

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	6,518,106	312,537	6,830,643
Borrowings excluding overdrafts	(3,454,040)	-	(3,454,040)
	<u>3,064,066</u>	<u>312,537</u>	<u>3,376,603</u>