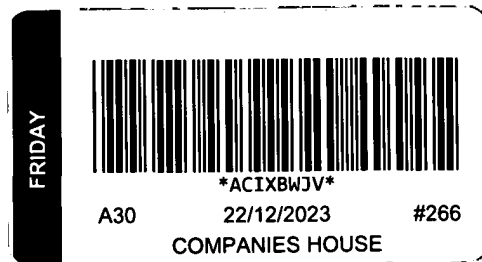


Registered number: 02777799

SAPPHIRE SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



SAPPHIRE SYSTEMS LIMITED

COMPANY INFORMATION

Directors J J Brading (appointed 7 November 2023)
P J Newman (appointed 7 November 2023)
J Puerzer (appointed 7 November 2023)
N Rotter (appointed 7 November 2023)

Registered number 02777799

Registered office 12 Gough Square
London
EC4A 3DW

Independent auditor CLA Evelyn Partners Limited
Chartered Accountants & Statutory Auditor
45 Gresham Street
London
EC2V 7BG

SAPPHIRE SYSTEMS LIMITED

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SAPPHIRE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their Group Strategic Report together with the audited financial statements for the period ended 31 December 2022.

Sapphire Systems Limited is a subsidiary of Muscovite Topco Limited, which prepares accounts on a group basis. Please see this set of accounts (available on Companies house) for details on the whole group's performance.

Business review

Our businesses continued to drive successful adoption of our growing capabilities and portfolio after our successful integration of previously acquired SAP orientated businesses, UK SAP ByDesign Partner (In Cloud) and UK EPM Partner (Opal Wave), as well as our internal organic investments in SAP S/4HANA Public Cloud, which as delivered on the expected incremental benefit to our growth, market relevance, and significance to our partner SAP, who have welcomed and backed, through enhance engagement, our continued commitment to be one of the few partners delivering their entire mid-market to mid-enterprise portfolio. In particular we saw our SAP S4/HANA cloud business generate strong net new name accounts organically and also with the strong support via referrals from SAP. Our previous acquisition of a ServiceNow focused partner (ITOM Solutions) has continued to accelerate growth in the UK market, with growing US opportunities, backed strongly by ServiceNow who have continued to support our engagement in their existing Enterprise Clients driving adoption of new license revenues a critical ServiceNow growth lever, and support for our development of new mid-market portfolio that addresses their ambition to address this large market segment.

Our partnership measured in relevance, engagement, alignment, investment and market traction were all significantly more positive than in any time in our long partnership with SAP, with new partnership focus in new digital capabilities in Automation (RPA) and the new SAP Business Technology Platform (BTP) that have continued to position Sapphire as their go-to partner for both their traditional ERP platforms and now their emerging and mission critical digital transformation platforms.

Our partnership with Automation Anywhere, one of the world's leading intelligent automation/RPA vendors, has accelerated positively through 2022, with a high degree of engagement with our installed base customers in Financial Management and ERP systems making them the highest adoption target market for this technology. Our close alignment with Automation Anywhere's ambitions in the mid-market to mid-enterprise makes us a highly strategic partner for growth through 2023 and beyond.

During 2022 we also accelerated our partnership with Amazon WEB Services (AWS) and signed a multi-year strategic partnership to re-platform our current cloud service infrastructure enhancing the service reliability, security, scalability and added value portfolio we can offer our existing and new customers. With cloud adoption of our traditional perpetual software platforms (SAP Business One, Infor SunSystems, and Hexagon EAM) offering a considerable growth opportunity, our partnership with AWS will further accelerate our growth and future profitability of our cloud service revenues, and enable us to further entrench ourselves in our customers digital operating strategy. Our migrations to AWS made us one of their most significant partners in the UK and we joined an elite group of SAP partners enabling us to mutually drive preference, growth and market opportunity.

Our EAM practice continued to perform well, and with the sale of Infor EAM to Hexagon, and the pivot to cloud first adoption, we have engaged with Hexagon to cement our partnership and ensure that we can continue to grow our market share in this market opportunity. In 2022 we extended our industry partnerships with Hexagon from transport and energy into a number of new industry segments.

SAPPHIRE SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

In January 2022 we successfully completed a major re-brand of the business, more effectively positioning and representing our new capabilities and portfolio capabilities, our new vendor partnerships. Combining our new portfolio, strong and current brand identity, and clear market positioning, our re-brand has been well received by our employees, our customers, our vendor partners, and by key market analysts and commentators.

Overall, our pivot to digital operations platform provider to the mid-market to mid-enterprise has made Sapphire more relevant, better engaged, and more strategically aligned to our installed base customers than ever before, and is presenting a greater opportunity for multi-platform transformation in net new accounts.

As the US and UK economies face levels of economic turbulence, inflation, and skills shortages, the opportunity to digitally transform operational efficiency, costs, and streamline business processes, we believe, will become greater priority to organisations and we believe our portfolio is well matched to enable Sapphire to continue to access the spend of customers across sectors and across our transformational portfolio.

Principal risks and uncertainties

Senior management are aware of their responsibility for managing risks within the business. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively. The board policy is to ensure that the business is run effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality.

Insurance policies are regularly reviewed to ensure these are adequate and appropriate, in line with the nature, size and complexity of the business.

Historically, as a software reseller, the group has been dependent on a small number of software authors to provide the software products it resells. If some of these authors were to develop financial instability this could have an adverse impact on the Company's business results and financial position. The Company mitigates this risk by monitoring financial performance of its authors and having strong, lasting relationships with them. In addition, the Company has diversified its product portfolio throughout the year through expanding same-author offerings as well as taking on new products from different authors.

Development and performance

The results for the period and the financial position at the period-end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Key performance indicators

The Directors do not deem it appropriate to monitor the performance of the company through the use of financial other KPIs. Instead, the Directors monitor the key performance indicators on a Group basis which are stated in the Consolidated financial statements of Muscovite Topco Limited (available on the Companies House website).

SAPPHIRE SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' statement of compliance with duty to promote the success of the Group

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement is included in the Consolidated financial statements of Muscovite Topco Limited.

This report was approved by the board and signed on its behalf.



Justin Brading (Dec 21, 2023 09:57 GMT)

J J Brading
Director

Date: **21/12/2023**

SAPPHIRE SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Company continues to be the provision of business software, services, maintenance, support and hosting services.

Results and dividends

The profit for the year, after taxation, amounted to £1,872,957 (2021 - £2,452,305).

No dividends have been paid or proposed in the year (2021 - Nil).

Directors

The directors who served during the year were:

V O'Neill (resigned 7 November 2023)
I E Caswell (resigned 1 February 2022)
P Rode (resigned 25 January 2022)
V DeLuca (appointed 1 April 2022, resigned 7 November 2023)
L D Goodman (appointed 1 April 2022, resigned 7 November 2023)

The directors who were appointed since year end are:

J J Brading (appointed 7 November 2023)
P J Newman (appointed 7 November 2023)
J Puerzer (appointed 7 November 2023)
N Rotter (appointed 7 November 2023)

Engagement with suppliers, customers and others

Disclosures relating to the Topco Group's engagement with suppliers, customers and other have been made in the Group Strategic Report under the heading "Section 172 (1) statement".

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On the 7 November 2023 NTT DATA Business Solutions AG acquired Muscovite Topco Limited becoming the immediate beneficial owner of Sapphire Systems Limited at this date.

SAPPHIRE SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Justin Brading (Dec 21, 2023 09:57 GMT)

J J Brading
Director

Date: 21/12/2023

SAPPHIRE SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE SYSTEMS LIMITED

Opinion

We have audited the financial statements of Sapphire Systems Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including 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 2022 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

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

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

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

SAPPHIRE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE SYSTEMS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 set out on page 6, 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.

SAPPHIRE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE SYSTEMS LIMITED (CONTINUED)

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.

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

We obtained a general understanding of the company's legal and regulatory framework through inquiry of management concerning:

- their understanding of relevant laws and regulations;
- the entity's policies and procedures regarding compliance; and
- how they identify, evaluate and account for litigation claims.

We also drew on our existing understanding of the company's industry and regulation. We understand that the company complies with the framework through:

- Ensuring staff are adequately up to date on training.

In the context of the audit, we considered those laws and regulations:

- which determine the form and content of the financial statements;
- which are central to the company's ability to conduct its business; and
- where failure to comply could result in material penalties.

We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- manipulation of the financial statements, especially revenue and early recognition of revenue and fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Substantive audit testing of a sample of revenue transactions to underlying documentation to ensure appropriate revenue recognition;
- testing journal entries, focusing particularly on postings to unexpected or unusual accounts including unexpected double entries; and
- reviewing and challenging significant estimates made by management.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SAPPHIRE SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAPPHIRE SYSTEMS LIMITED (CONTINUED)

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.

CLA Evelyn Partners Limited

CLA Evelyn Partners Limited (Dec 21, 2023 16:15 GMT)

Nicholas Jacques (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditor

45 Gresham Street

London

EC2V 7BG

Date:

21/12/2023

SAPPHIRE SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	40,002,627	29,635,877
Cost of sales		(10,604,962)	(9,705,773)
Gross profit		29,397,665	19,930,104
Distribution costs		(489,541)	(530,823)
Administrative expenses		(28,765,559)	(17,428,908)
Other operating income		136,931	4,176
Operating profit	5	279,496	1,974,549
Interest receivable and similar income	8	1,030,614	677,788
Interest payable and expenses		(43,341)	(51,164)
Profit before taxation		1,266,769	2,601,173
Tax on profit	9	606,188	(148,868)
Profit for the financial year		1,872,957	2,452,305

The notes on pages 15 to 33 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	10		2,845,954		284,700
Tangible assets	11		1,321,968		2,110,847
Investments	12		2,495		2,495
			4,170,417		2,398,042
Current assets					
Debtors: amounts falling due after more than one year	13	1,257,163		1,257,163	
Debtors: amounts falling due within one year	13	32,457,543		18,529,881	
Cash at bank and in hand	14	1,483,221		3,348,246	
		35,197,927		23,135,290	
Creditors: amounts falling due within one year	15	(31,269,527)		(20,515,338)	
Provision	16	(1,376,244)		-	
Net current assets			2,552,156		2,619,952
Creditors: amounts falling due after more than one year	17		-		(168,378)
Net assets			6,722,573		4,849,616
Capital and reserves					
Called up share capital	19		38,000		38,000
Capital redemption reserve	20		12,000		12,000
Profit and loss account	20		6,672,573		4,799,616
Shareholders' funds			6,722,573		4,849,616

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Justin Brading (Dec 21, 2023 09:57 GMT)

J J Brading
Director

Date: **21/12/2023**

The notes on pages 15 to 33 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2021	38,000	12,000	2,347,311	2,397,311
Comprehensive income for the year				
Profit for the year	-	-	2,452,305	2,452,305
At 31 December 2021	<u>38,000</u>	<u>12,000</u>	<u>4,799,616</u>	<u>4,849,616</u>
Comprehensive income for the year				
Profit for the year	-	-	1,872,957	1,872,957
At 31 December 2022	<u><u>38,000</u></u>	<u><u>12,000</u></u>	<u><u>6,672,573</u></u>	<u><u>6,722,573</u></u>

The notes on pages 15 to 33 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Sapphire Systems Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (Registered number: 02777799). The registered office address is 12 Gough Square, London, EC4A 3DW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Muscovite Topco Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is exempt from the requirement to prepare consolidated financial statements as all of its subsidiaries are required to be excluded from consolidation by section 400 of the Companies Act 2006.

2.4 Going concern

The directors have made an assessment in preparing these financial statements as to whether the Company is a going concern and have concluded that there are no material uncertainties that may cast doubt on the Company's ability to continue as a going concern.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The Company recognises revenue in line with the below FRS102 compliant policies:

Perpetual licence revenue

The full fair value of the consideration received or receivable is recognised at the date of sale, whereby the risks and rewards of ownership are transferred to the customer as they have irrevocable use of the asset post-transaction.

Subscription based turnover streams (software licences, support and maintenance and hosting)

The fair value of the consideration received or receivable for subscription based turnover streams is recognised on a straight-line basis in line with the period of validity of the contract. This aligns with the period of obligation that the Company has to provision, deliver and/or maintain the service for the customer.

Consultancy

Turnover from implementations, upgrades and other service contracts is recognised in line with the period and obligation of delivery of these services to the customer. Depending on the customer contract, this may take the form of milestone billing, percentage of completion or recognising consultancy days delivered at a pre-determined day-rate.

Customer relationships typically involve the provision of more than one of the above services under one contract governing the implementation and ongoing service, however management views each component as a separate performance obligation that could be (and often is) sold separately.

Turnover will not be recognised under any of the above turnover streams unless they satisfy the below criteria:

1. There is a clearly identifiable contract in place that is enforceable, has commercial substance and is approved by all parties to the contract.
2. There is an obligation to deliver a service for a fair value of consideration for that service.
3. The consideration amount under (2) can be measured reliably.
4. The directors apply recognition criteria to the separately identifiable components of a single transaction when necessary to reflect the substance of the transaction. Management does not view there to be any variance between commercial pricing of the separate services and the allocation of revenue between these components; and
5. It is probable that economic benefits will flow to the Company.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Developed Software	-	3 years
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SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold land	- Nil
Leasehold improvements	- Over the term of the lease
Fixtures, fittings & equipment	- 25% per annum reducing balance method
Computer equipment	- 5 years straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible 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 the current market assessments of the time value of money and the risks specific to the net 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 only to the extent that the impairment loss has 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.

2.14 Pensions

Defined contribution pension plan

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 paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3. Judgements in applying accounting policies 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Bad debt provision

The Company has a bad debt provision of £343,077 (2021 - £354,009) at the balance sheet date. The recoverability of trade debtors is monitored frequently by the Group Finance and Credit Control teams, and where there is sufficient doubt about the recoverability of a debt balance a specific bad debt provision is recognised. The business also carries a general doubtful debt provision so to provide a prudent estimate of unexpected default from customers based on past experience. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Attributable to the principal activity	<u>40,002,627</u>	<u>29,635,877</u>

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Operating profit

The operating profit is stated after charging/(crediting):

	2022	2021
	£	£
Exchange differences	(5,859)	48,378
Other operating lease rentals	984,729	1,037,823
Provision for impairment of financial assets	-	1,034,996
Depreciation of tangible fixed assets	1,010,027	903,973
Amortisation of intangible fixed assets	345,603	11,832
Loss on disposal of tangible fixed assets	-	1,862
Other operating income	136,931	4,176

The "Provision for impairment of financial assets" within the table above relate to an intercompany loan balance with Argentis Limited which has been provided for based on the current recoverability assessment performed.

Other operating income relates to Research and Development tax claim refunds.

6. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	87,170	41,900

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of Muscovite Topco Limited.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	14,715,216	9,578,632
Social security costs	1,810,532	1,186,442
Cost of defined contribution scheme	349,264	290,357
	<u>16,875,012</u>	<u>11,055,431</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Directors	2	4
Services	97	61
Sales	26	21
Support	32	34
Marketing	12	13
Administrative	36	35
	<u>205</u>	<u>168</u>

The Company's directors were remunerated within a fellow group company and no charges were recharged to the entity.

8. Interest receivable

	2022 £	2021 £
Interest receivable from group companies	1,024,345	673,534
Interest on bank deposits	6,269	211
Other interest receivable	-	4,043
	<u>1,030,614</u>	<u>677,788</u>

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	-	347,253
Adjustments in respect of previous periods	(443,997)	(147,142)
Foreign tax relief	-	(29,959)
	(443,997)	170,152
Foreign tax		
Foreign tax suffered	(2,349)	31,684
Total current tax	(446,346)	201,836
Deferred tax		
Origination and reversal of timing differences	(138,279)	(51,767)
Adjustment in respect of previous periods	22,103	2,625
Effect of changes in tax rates	(43,666)	(3,826)
Total deferred tax	(159,842)	(52,968)
Taxation on profit on ordinary activities	(606,188)	148,868

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (*2021 - lower than*) the standard rate of corporation tax in the UK of 19% (*2021 - 19%*). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,266,769	2,601,173
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (<i>2021 - 19%</i>)	240,686	494,223
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	129,249	35,005
Non-taxable income	(10,846)	-
Effects of overseas tax rates	(2,349)	1,725
Adjustments in respect to prior periods	(320,889)	(144,517)
Tax rate changes	(43,666)	(3,826)
Group relief	(736,456)	(213,612)
Gains/rollover relief	-	(20,130)
Super deductions	(7,405)	-
Other	145,488	-
Total tax charge for the year	(606,188)	148,868

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. The rate was substantively enacted on 24 May 2021 and as such the deferred tax balances have been calculated on temporary differences using the rate expected to apply at the time of the reversal of the balance. As such, the deferred tax assets and liabilities have been calculated using 19%, 25% or a blended rate (2021: 19%, 25% or blended rate) as appropriate.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Intangible assets

	Developed Software £
Cost	
At 1 January 2022	296,532
Additions	2,906,857
At 31 December 2022	<u>3,203,389</u>
Amortisation	
At 1 January 2022	11,832
Charge for the year	345,603
At 31 December 2022	<u>357,435</u>
Net book value	
At 31 December 2022	<u>2,845,954</u>
<i>At 31 December 2021</i>	<u>284,700</u>

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Tangible fixed assets

	Freehold land £	Leasehold improvements £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 January 2022	5,000	1,198,104	293,771	5,064,925	6,561,800
Additions	-	-	1,600	224,548	226,148
Revaluations	(5,000)	-	-	-	(5,000)
At 31 December 2022	-	1,198,104	295,371	5,289,473	6,782,948
Depreciation					
At 1 January 2022	-	679,462	253,040	3,518,451	4,450,953
Charge for the year	-	132,283	17,446	860,298	1,010,027
At 31 December 2022	-	811,745	270,486	4,378,749	5,460,980
Net book value					
At 31 December 2022	-	386,359	24,885	910,724	1,321,968
At 31 December 2021	5,000	518,642	40,731	1,546,474	2,110,847

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2022	2,495
At 31 December 2022	2,495

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Argentis Systems Limited	12 Gough Square, London, EC4A 3DW	Ordinary	100%
Argentis Systems Srl *	Av La Voz Del Interior 7000 5000, Cordoba, Argentina	Ordinary	100%
Sapphire ERP Systems Private Limited	Tradeworld Tower, Mumbai 400 013, India	Equity	100%
Sapphire Systems Inc.	The Chrysler Building, 405 Lexington Avenue, New York, USA	Equity	100%
Pioneer B1 LLC *	The Chrysler Building, 405 Lexington Avenue, New York, USA	Ordinary	100%

* Investment held indirectly

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Debtors

	2022	2021
	£	£
Due after more than one year		
Other debtors	1,257,163	1,257,163

The other debtors balance relates to rental deposits.

	2022	2021
	£	£
Due within one year		
Trade debtors	12,831,405	5,783,025
Amounts owed by group undertakings	13,052,292	8,340,822
Other debtors	138,108	189,294
Prepayments and accrued income	5,994,891	4,200,803
Tax recoverable	278,449	-
Deferred taxation (note 18)	162,398	15,937
	32,457,543	18,529,881

14. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	1,483,221	3,348,246

15. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	4,502,955	1,687,266
Amounts owed to group undertakings	4,837,536	139,489
Corporation tax	-	456,113
Other taxation and social security	1,876,943	2,257,604
Other creditors	193,474	26,681
Accruals and deferred income	19,858,619	15,948,185
	31,269,527	20,515,338

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Provision

The auditors appointed by Microsoft issued an estimated financial impact which takes into consideration the business's co-operation with the audit process, as such management have made a provision for £1,376,244 in 2022 which is included within administrative expenses within the Statement of Comprehensive Income.

17. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Other creditors	-	168,378
	-	168,378

18. Deferred taxation

	2022 £	2021 £
At beginning of year	15,937	(37,031)
Credit to profit or loss	181,945	52,968
Adjustment in respect of prior periods	(27,909)	-
Movement arising from transfer of trade	(7,575)	-
At end of year	162,398	15,937

The deferred tax asset is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	83,005	(25,877)
Short-term timing differences	79,393	41,814
	162,398	15,937

Fixed asset timing differences are expected to reverse in line with each corresponding fixed asset class and the classes depreciation rates, as noted in the accounting policies.

Short-term timing differences are expected to reverse over the next 12 months.

Losses and other deductions will continue to be utilised as future profits arise from the Company's ordinary course of business.

Tax losses will be utilised as future profits arise from the Company's ordinary course of business.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
149,675 Ordinary shares of £0.25 each	37,418	37,418
2,325 "A" Ordinary shares of £0.25 each	582	582
	38,000	38,000
	38,000	38,000

All shares are fully paid up at par value.

Each ordinary share and ordinary A share is entitled to one vote, has equal rights to dividends and is entitled to participate in a distribution arising from winding up of the Company.

20. Reserves

Capital redemption reserve

This reserve relates to the nominal value of shares that the Company has bought back.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £349,264 (2021 - £290,357). Contributions totalling £97,422 (2021 - £89,550) were payable to the fund at the reporting date.

22. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	1,107,416	1,107,416
Later than 1 year and not later than 5 years	2,108,641	3,216,057
	3,216,057	4,323,473
	3,216,057	4,323,473

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

24. Post balance sheet events

On the 7 November 2023 NTT DATA Business Solutions AG acquired Muscovite Topco Limited becoming the immediate beneficial owner of Sapphire Systems Limited at this date.

25. Controlling party

The immediate parent undertaking is Muscovite Bidco Limited, a company registered in England and Wales.

The ultimate parent undertaking is NTT Group, a company registered in Japan.

The smallest and largest group of undertakings for which group accounts for the year ended 31 December 2022 have been drawn up, is that headed by Muscovite Topco Limited. The registered office address of Muscovite Topco Limited is 12 Gough Square, London, EC4A 3DW. Copies of the group accounts are available from Companies House.