
SAPPHIRE SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SAPPHIRE SYSTEMS LIMITED

COMPANY INFORMATION

Directors	I E Caswell V O'Neill P Rode (appointed 10 August 2021)
Registered number	02777799
Registered office	843 Finchley Road London NW11 8NA
Trading Address	The Shard 32 London Bridge Street London SE1 9SG
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor 25 Moorgate London EC2R 6AY

SAPPHIRE SYSTEMS LIMITED

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The directors present their Group Strategic Report together with the audited financial statements for the period ended 31 December 2020.

Sapphire Systems Limited's group parent company is Muscovite Topco Limited. Please see this set of accounts for details on the whole group's performance.

Business review

Sapphire had a healthy start to 2020, continuing the strong trading momentum built through 2019. This momentum was slowed as the effects of the COVID-19 pandemic were felt, however due to our industry-diverse customer base and resilient recurring revenue streams, the business was able to finish 2020 strongly and is well placed to accelerate through the economic recovery.

Our recurring revenue grew from 51% of total revenue in 2019 to 56% in 2020, as the business focused on selling subscription-based revenue streams around licencing, support and hosting. We see this trend continuing in the future, as we further build on this resilient recurring revenue base. Although this move from perpetual to SaaS based revenue flattens the growth profile of working patterns, the Group and directors are encouraged by the better security and visibility over future revenues.

We completed the acquisition of Pioneer B1 (Arizona based SAP Business One (B1) partner) into the Sapphire Systems Limited Group during the year, with ITOM Solution (IT Operations Management built around the ServiceNow platform) joining the wider Sapphire Group as a sibling. ITOM has accelerated the Sapphire strategy of evolving beyond being a core ERP player and into a Digital Operating Platform (DOP) provider.

2020 saw Sapphire pivoting to become a DOP provider for the ERP and EAM sector. We are developing and rolling out a portfolio of adjacent solutions and services to enhance our engagement with existing clients and differentiate our GTM offering to net new customers. Our strategy is to use DOP to differentiate ourselves, enhance revenue per client, and also increase our annuity revenues by ensuring our new portfolio is primarily focused on an "as a service" model. The DOP portfolio is being developed in four key areas; Automation/RPA, Business Workflow, Data Analytics, and Systems Integration. We have extended our partnership with our core authors (SAP and Infor) and are developing new partnerships with Automation Anywhere and ServiceNow to deliver on our DOP vision.

Customers stand to benefit greatly from Sapphire's DOP, with our offering enhancing cross-functional visibility and integration of systems outside of the traditional ERP model that is overly focussed on the CFO office. As well as more deeply connected systems, customers will have access to a wider range of products and capabilities, provisioned and managed through one partner rather than a greater number of specialists with a narrower range of capabilities.

In order to strengthen the Sapphire platform for further growth – both organically and through future M&A – we have invested significantly in a number of senior positions, including a USGM, CTO and full M&A team. We expect to realise financial leverage over this overhead investment as we bring more businesses into the Sapphire Group.

In 2020 we accelerated the growth in our SAP Business ByDesign (ByD) practice and we continued to market our SAP S/4HANA Cloud (S/4HC) offering, with leads generated in 2020 expected to be converted to wins in 2021. We remain the only UK SAP partner proactively offering all three SAP mid-market ERP's: B1, ByD and S/4HC. This enables us to workshop with clients to better understand which of SAP ERP's is most suitable for their needs. It also means that the client need not look elsewhere to compare SAP applications.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Business review (continued)

Our Infor Enterprise Asset Management (EAM) practice experienced high growth with revenue up 43%, despite several significant project deferrals as a result of the pandemic. Infor EAM is a key plank of our future planned organic growth both in the UK and in the US.

Our managed hosting service Sapphire Anywhere grew 24% year on year and is a key contributor to our recurring revenue base.

In response to the COVID-19 driven downturn, the Sapphire Group undertook a number of actions to protect profitability and ensure business continuity. Firstly all staff were immediately encouraged to work from home as much as possible so to protect themselves from being exposed to any risk of infection, with offices only remaining open to those who wished to come in. We also took advantage of a number of government schemes and, where possible, flexible working patterns. Ultimately, the Group has managed to broadly maintain organic EBITDA, with minimal revenue impact through the period.

The directors are delighted that the Group has been recognised by the following awards:

- Sapphire was, for the 4th consecutive year, listed in The Sunday Times International Track as one of the 200 fastest growing UK companies with overseas operations.
- We were proud recipients of SAP's Innovation award for the EMEA North region. We were also SAP's largest partner in EMEA North across SAP Business ByDesign and SAP Business One.
- Sapphire were awarded CRN magazines 2020 SMB Reseller of the year for the UK.

In 2020 we achieved a zero-carbon footprint across the company. We offset our entire carbon emissions by planting an equivalent number of trees in the Kenyan Rift Valley. We will continue to do this for all companies that Sapphire acquire.

We look forward to accelerated growth in turnover and EBITDA in 2021 both organically and via M&A.

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 Group mitigates this risk by monitoring financial performance of its authors and having strong, lasting relationships with them. The Group's strategy has also been to diversify its product and services portfolio.

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.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Key performance indicators

The board uses a range of key performance indicators to monitor and manage the business and ensure focus is maintained on the key priorities of the Group. The performance indicators which the board currently considers to be the most important are as follows:

KPI	Definition	2020	2019
Revenue	Generated from ongoing core business activities	£36.6m	£38.5m
Recurring revenue %	% of total revenue that is generated from contracted and recurring revenue streams in the period	56%	51%
Gross profit margin	The ratio of gross profit to revenue for the period	£25.3m (69%)	£25.7m (71%)
Adjusted EBITDA	The level of EBITDA reflecting the underlying performance of the business after adding back exceptional and one-off costs	£5.0m	£5.2m
Final staff headcount at period end	Number of employed staff on 31st December	243	254
Trees planted to offset carbon emissions	Trees planted in Kenyan Rift Valley	550	400

Adjusted EBITDA includes add backs of exceptional costs that are one-off in nature, such as recruitment fees for senior positions, professional consultancy fees for one-off projects, and other non-operating costs. These totalled £0.8m (2019: £1m).

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, which is reported for the first time, explains how Sapphire Systems Directors:

- Have engaged with employees, suppliers, customers and others; and
- Have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the Company during the financial period.

The S172 statement focuses on matters of strategic importance to Sapphire Systems.

S172(1) (A) – "The likely consequences of any decision in the long term"

The Directors understand the business and the key stakeholders and assess the impact of its key decisions on all stakeholders including customers, employees and service users. The full board of directors meets on a monthly basis to assess current performance and future strategy, including the strategic fit of the acquired entities brought into the Sapphire Group. The board connects on a weekly basis outside of the formal monthly meetings to bring more cadence and a quicker response time to any issues that arise, and also to ensure full visibility of these decisions amongst the leadership Group.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

S172(1) (B) – “The interests of the company’s employees”

Sapphire’s employees are a fundamental asset to the business and are the key contributor to the success of the business and quality of service offering that we can give to our customers. We seek to engage with employees at the Group level on a monthly basis through company-wide staff surveys, and full company calls where all staff are given a business update and have the opportunity to ask questions of the leadership team. We offer fair market terms and conditions to those we employ and actively encourage and support members of staff to enhance their skills through training and experience. In addition, there is opportunity for all staff to work across other businesses within the growing Group, including cross-border.

S172(1) (C) – “The need to foster the company’s business relationships with suppliers, customers and others”

The Directors recognise that maintaining good, longstanding relationships with customers and suppliers is important. We regularly engage with our two key suppliers – SAP and Infor – in both the UK and US, and have longstanding and strong relationships with both. We regularly consult with SAP regarding potential acquisitions, and have furthered this relationship through growing the Sapphire Group. Sapphire is passionate about our customer service, and in 2020 we employed a number of Customer Success Managers to ensure that we are working closely with our customers to ensure the mutual success of our relationship.

S172(1) (D) – “The impact of the company’s operations on the community and the environment”

Corporate, Social and Environmental responsibility has been a longstanding priority for Sapphire. We seek to monitor and continually improve our impact, for both Sapphire and the acquired entities. Staff are encouraged to take time off work to support charitable causes that are important to them, and in addition Sapphire is a Carbon Neutral company, with all emissions monitored and offset by planting trees in the Kenyan Rift Valley. For the 2nd consecutive year, we were proud recipients of a UK Social Mobility award for social mobility advancement.

S172(1) (E) – “The desirability of the company maintaining a reputation for high standards of business conduct”

The Directors continuously review the professionalism and level of service that the Group offers and have a robust internal quality system. Two representatives from our Private Equity backers, Horizon Capital, sit on the board of directors of Sapphire’s parent company alongside a non-executive chairman, and these individuals have oversight of company affairs including business conduct and work with the executive leadership team to ensure that the highest possible quality is being maintained.

S172(1) (F) – “The need to act fairly as between members of the company”

The members of the company are all recipients of the detailed monthly board pack, which ensures full information disclosure amongst the whole Group of shareholders.

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

I E Caswell
Director

Date: 17 December 2021

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the period ended 31 December 2020.

Principal activity

The principal activity of the Group 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 £2,692,295 (2019: £2,805,772).

Dividends of £1,376,690 (2019: £3,000,000) have been paid in the year

Directors

The directors who served during the year were:

I E Caswell
V O'Neill
M Royle (resigned 10 August 2021)

Financial instruments

Liquidity risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The Group's interest-bearing assets are cash balances subject to floating interest rates. The directors regularly review cash balances in order to maximise interest whilst at the same time maintaining adequate cash flow for the business.

Foreign currency risk

The Group's principal foreign currency exposure arise from the setup costs of the subsidiary company Sapphire Systems Inc. and trading overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. At the period-end these exposures were not hedged.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through bank and companies which must fulfil credit rating criteria by the board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Employees involvement

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

SAPPHIRE SYSTEMS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disabled employees

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

Energy usage and carbon emissions

The Group estimates its energy usage and carbon emissions resulting from activities that the Group is responsible for as below:

	2020	2019
Combustion of gas or consumption of fuel for transport purposes (CO2 tonnes)	90	260
Purchase of electricity (CO2 tonnes)	232	220
Aggregate energy used (kWh)	917,237	938,267
CO2 tonnes per £m of revenue	8.8	12.5

These figures have been taken from our records, from expense claims and third-party supplier invoices, and converted using a well-established carbon calculator from CarbonFootprint.com

As mentioned previously, we have planted sufficient trees in the Kenyan Rift Valley so to bring our net carbon footprint down to zero. We are opting for renewable energy with our energy providers in our buildings, and are constantly creating and adopting initiatives and updating our policies to reduce our carbon footprint.

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 and the Group'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 and the Group's auditor is aware of that information.

Auditor

The auditor, Nexia Smith & Williamson, have been appointed in the year and 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.

I E Caswell

Director

Date: 17 December 2021

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of Sapphire Systems Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheet and the Consolidated and Parent Company 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 Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's 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 Group and Parent 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 Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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 their 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 7, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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:

- Maintaining internal legal counsel; and
- 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:

- Payment of bonuses based on profits; and
- manipulation of the financial statements, especially revenue and early recognition of revenue, via 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 work on material areas affecting revenues;
- testing journal entries, focusing particularly on postings to unexpected or unusual accounts including unexpected double entries; and
- reviewing and challenging 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.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Jacques (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants

Statutory Auditor

25 Moorgate

London

EC2R 6AY

17 December 2021

SAPPHIRE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	36,585,997	38,542,436
Cost of sales		(11,335,846)	(11,088,539)
Gross profit		25,250,151	27,453,897
Distribution costs		(1,278,843)	(1,344,309)
Administrative expenses		(21,062,317)	(22,698,019)
Other operating income		481,007	9,086
Operating profit	5	3,389,998	3,420,655
Interest receivable and similar income	9	6,940	10,821
Interest payable and expenses		(1,900)	(123)
Profit before taxation		3,395,038	3,431,353
Tax on profit	10	(702,743)	(625,581)
Profit for the financial year		<u>2,692,295</u>	<u>2,805,772</u>
Currency translation differences		(5,689)	(22,396)
Total comprehensive income for the year		<u>2,686,606</u>	<u>2,783,376</u>
Profit for the year attributable to:			
Owners of the Parent Company		2,692,295	2,805,772
		<u>2,692,295</u>	<u>2,805,772</u>

The notes on pages 19 to 44 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	2,532,782	236,503
Tangible assets	13	2,510,145	3,020,444
		<u>5,042,927</u>	<u>3,256,947</u>
Current assets			
Debtors: amounts falling due after more than one year	15	1,368,404	1,254,057
Debtors: amounts falling due within one year	15	18,218,288	15,809,427
Cash at bank and in hand		4,350,519	4,579,063
		<u>23,937,211</u>	<u>21,642,547</u>
Creditors: amounts falling due within one year	16	(27,363,778)	(24,483,029)
Net current liabilities		<u>(3,426,567)</u>	<u>(2,840,482)</u>
Total assets less current liabilities		<u>1,616,360</u>	<u>416,465</u>
Creditors: amounts falling due after more than one year	17	(168,378)	(168,378)
Provisions for liabilities			
Deferred taxation	18	(45,606)	(167,005)
Net assets		<u><u>1,402,376</u></u>	<u><u>81,082</u></u>
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	1,352,376	31,082
Shareholders' funds		<u><u>1,402,376</u></u>	<u><u>81,082</u></u>

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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

I E Caswell
Director

Date: 17 December 2021

The notes on pages 19 to 44 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	2,479,999	2,988,220
Investments	14	2,502	2,502
		<u>2,482,501</u>	<u>2,990,722</u>
Current assets			
Debtors: amounts falling due after more than one year	15	1,257,163	1,254,057
Debtors: amounts falling due within one year	15	16,615,192	13,777,215
Cash at bank and in hand		2,405,336	2,079,662
		<u>20,277,691</u>	<u>17,110,934</u>
Creditors: amounts falling due within one year	16	(20,498,397)	(19,147,183)
Net current liabilities		<u>(220,706)</u>	<u>(2,036,249)</u>
Total assets less current liabilities		<u>2,261,795</u>	<u>954,473</u>
Creditors: amounts falling due after more than one year	17	(168,378)	(168,378)
Provisions for liabilities			
Deferred taxation	18	(37,031)	(167,005)
Net assets		<u>2,056,386</u>	<u>619,090</u>
Capital and reserves			
Called up share capital	19	38,000	38,000
Capital redemption reserve	20	12,000	12,000
Profit and loss account brought forward		569,090	1,195,360
Profit for the year		2,813,986	2,373,730
Other changes in the profit and loss account		(1,376,690)	(3,000,000)
Profit and loss account carried forward		<u>2,006,386</u>	<u>569,090</u>
Shareholders' funds		<u>2,056,386</u>	<u>619,090</u>

SAPPHIRE SYSTEMS LIMITED
REGISTERED NUMBER:02777799

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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

I E Caswell
Director

Date: 17 December 2021

The notes on pages 19 to 44 form part of these financial statements.

SAPPHIRE SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2019	9,562	12,000	247,706	269,268
Comprehensive income for the year				
Profit for the year	-	-	2,805,772	2,805,772
Currency translation differences	-	-	(22,396)	(22,396)
Dividends	-	-	(3,000,000)	(3,000,000)
Shares issued during the year	28,438	-	-	28,438
At 1 January 2020	<u>38,000</u>	<u>12,000</u>	<u>31,082</u>	<u>81,082</u>
Comprehensive income for the year				
Profit for the year	-	-	2,692,295	2,692,295
Currency translation differences	-	-	5,689	5,689
Dividends: Equity capital	-	-	(1,376,690)	(1,376,690)
At 31 December 2020	<u><u>38,000</u></u>	<u><u>12,000</u></u>	<u><u>1,352,376</u></u>	<u><u>1,402,376</u></u>

SAPPHIRE SYSTEMS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2019	9,562	12,000	1,195,360	1,216,922
Comprehensive income for the year				
Profit for the year	-	-	2,373,730	2,373,730
Dividends	-	-	(3,000,000)	(3,000,000)
Shares issued during the year	28,438	-	-	28,438
At 1 January 2020	38,000	12,000	569,090	619,090
Comprehensive income for the year				
Profit for the year	-	-	2,813,986	2,813,986
Contributions by and distributions to owners				
Dividends	-	-	(1,376,690)	(1,376,690)
At 31 December 2020	<u>38,000</u>	<u>12,000</u>	<u>2,006,386</u>	<u>2,056,386</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 843 Finchley Road, London, NW11 8NA.

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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Parent company exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the Group and the Parent Company would be identical;
- No Statement of Cash Flows has been presented for the Parent Company;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

2.3 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).

This information is included in the consolidated financial statements of Muscovite Topco Limited as at 31 December 2020 and these financial statements may be obtained from Companies House.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.5 Going concern

The Group is highly cash generative and is able to pay and meet its liabilities as and when they fall due. The most significant set of cash inflows and outflows occur between Q4 and Q1, whereby the Group has a concentration of contract renewals at the calendar year end. A margin from these renewals is passed over to the software authors subsequent to the collection of cash from customers, hence issues with cash availability to meet these obligations are highly unlikely. The group typically maintains a strong cash position throughout the year as a result of these up-front renewals.

The Group shows a net current liability position at the balance sheet date, however in line with the above paragraph a significant portion of this is driven by the deferred income balance, which is a non-cash liability and significant portion of the balance has a zero cost to deliver.

We have conducted our Going Concern analysis through looking at three scenarios: 1) a base case, 2) a downside case, and 3) a covenant breach case. The base case is a business as usual scenario whereby trading continues at modest levels, which gives a very low risk of any covenant breach that would call the going concern status of the group into question. Given the strong levels of recurring revenues in the group, both the downside case and covenant breach case would need to involve extreme scenarios from a revenue perspective in order for EBITDA to fall below the covenant levels, hence the directors are not concerned that these scenarios would become a reality. The Group would also be able to cut some readily identified areas of discretionary spend in order to protect cash flows as a mitigating factor should such extreme scenarios become reality.

The business has been able to finance its M&A activity through drawdown of a committed debt facility, as well as from existing cash balances. A detailed review of cash flow forecasts takes place in advance of closing any transaction as well as the submission of covenant forecast models to our lenders in order to facilitate the drawdown of funds. The typical business that the Group has acquired shares the same strong cash generative characteristics of the core Sapphire group and, as a result, the additional interest payable is sufficiently covered from the cash generated by the acquired entities.

The group takes a proactive approach to monitoring legal claims and, at the date of signing the accounts, the directors are not aware of any such claims of a magnitude that would impact the going concern status of the Group.

Accordingly, the Directors have prepared the financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.6 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 profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that it can be reliably measured. Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The Group 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 revenue streams (software licences, support and maintenance and hosting)

The fair value of the consideration received or receivable for subscription based revenue 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

Revenue 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.

Revenue will not be recognised under any of the above revenue 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 Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 Operating leases: the Group 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.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.10 Interest income

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

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to profit or loss over its useful economic life of 10 years.

Other 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:

Software	-	3	years
Patents	-	2	years
Contracts	-	1	year

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.13 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

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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.15 Impairment of fixed assets

At each reporting period end date, the Group 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 Group 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 increased.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Group in independently administered funds.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Group 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 group 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 Group's cash management.

Financial liabilities and equity instruments issued by the Group 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 Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.20 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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group'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 estimates is revised where the revision affects only that period, or is in the period of the revision and future periods where the revision affects both current and future periods.

Useful Economic Life of Goodwill balances

Goodwill arising upon the acquisition of subsidiaries has been recognised in accordance with FRS 102. The element of transaction costs that can be attributed to the acquisition once Sapphire has committed to the deal are capitalised to goodwill, with the remainder of pre-commitment costs being allocated to goodwill and debt according to the transaction structure.

The goodwill balance is amortised over the expected useful economic life of the business, which for all acquisitions the directors consider to be a minimum period of 10 years. This reflects the strength and expected longevity of each component of the business, and that the Sapphire group expects long-term benefits to continue to accrue as a result of these acquisitions.

Intangible assets arising upon acquisition of subsidiaries

The determination of the fair value of acquired intangible assets, as well as the expected useful life ascribed, requires the use of significant judgement. In conjunction with a professional valuation firm, the directors view the various classes of intangible assets as non-separable from the entities acquired and hence no fair value adjustment is required as the intangible assets have zero resell value on their own

Bad debt provision

The business has a bad debt provision of £593k (2019: £523k) 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.

SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

The whole of the turnover is attributable to the Group's principal activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	24,828,192	24,991,218
USA	9,242,414	9,094,096
Other	2,515,391	4,457,122
	<u>36,585,997</u>	<u>38,542,436</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	970,588	811,533
Amortisation of intangible fixed assets	178,075	76,429
Exchange differences	(2,463)	16,435
Other operating lease rentals	1,294,799	1,255,698
Loss on disposal of tangible fixed assets	<u>580</u>	<u>95</u>

6. Auditor's remuneration

	2020 £	2019 £
Audit of the financial statements of the Group and the Parent Company	42,450	48,000
Audit of the financial statements of the Parent Company's subsidiaries	15,970	3,300
	<u>58,420</u>	<u>51,300</u>

Fees payable to the Group's auditor and its associates in respect of:

All other non-audit services	<u>7,100</u>	<u>44,851</u>
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SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Employees

Staff costs were as follows:

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Wages and salaries	13,595,196	14,588,245	9,448,513	10,555,390
Social security costs	1,113,842	1,250,462	1,011,853	1,250,462
Cost of defined contribution scheme	305,598	323,104	305,598	277,166
	<u>15,014,636</u>	<u>16,161,811</u>	<u>10,765,964</u>	<u>12,083,018</u>

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

	Group 2020 No.	<i>Group 2019 No.</i>	Company 2020 No.	<i>Company 2019 No.</i>
Directors	3	5	3	5
Services	92	114	53	61
Sales	34	37	23	26
Support	64	59	31	28
Marketing	19	14	16	11
Administrative	27	30	21	26
	<u>239</u>	<u>259</u>	<u>147</u>	<u>157</u>

SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Directors' remuneration

	2020	<i>As restated</i> 2019
	£	£
Directors' emoluments	179,896	792,025
Company contributions to defined contribution pension schemes	3,902	36,541
	183,798	828,566
	183,798	828,566

The highest paid director received remuneration of £74,610 (2019: £266,816).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019: £5,000).

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019: 5).

From May 2020 the director and Key Management personal costs were moved from being paid from Sapphire Systems Limited to Muscovite Bidco Limited, therefore the current year balance only includes 4 months worth of costs in comparison to the prior period.

The prior year Director's remuneration was restated to reflect the correct total aggregate compensation received by directors. (This was noted as £762,559 within the prior year financial statements).

9. Interest receivable

	2020	2019
	£	£
Interest on bank deposits	6,714	8,760
Other interest receivable	226	2,061
	6,940	10,821
	6,940	10,821

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	249,184	363,605
Adjustments in respect of previous periods	333,839	(82,207)
	583,023	281,398
Foreign tax		
Foreign tax on income for the year	241,118	236,678
	824,141	518,076
Deferred tax		
Origination and reversal of timing differences	(128,255)	107,505
Changes to tax rates	18,302	-
Adjustment in respect of previous periods	(11,445)	-
	702,743	625,581
Taxation on profit on ordinary activities	702,743	625,581

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,395,038</u>	<u>3,431,353</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	645,057	651,957
Effects of:		
Expenses not deductible for tax purposes	27,353	164,297
Capital allowances for year in excess of depreciation	-	17,406
Adjustments to tax charge in respect of prior periods	322,394	(82,207)
Non-taxable income	-	(6,936)
Research and development tax credit	-	(179,589)
Losses on discontinued operations not recognised	-	24,799
Effect of overseas tax rates	158,334	15,170
Effect of foreign taxes	-	74,082
Tax losses utilised	-	(53,398)
Group relief	(468,697)	-
Tax rate changes	18,302	-
Total tax charge for the year	<u><u>702,743</u></u>	<u><u>625,581</u></u>

Factors that may affect future tax charges

Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. These changes are not included above as Finance Bill 2021 was not substantively enacted by the year end.

11. Dividends

	2020 £	2019 £
Interim paid	<u>1,376,690</u>	<u>3,000,000</u>

SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Intangible assets

Group

	Patents £	Contracts £	Software £	Goodwill £	Total £
Cost					
At 1 January 2020 (Restated)	92,149	195,816	276,446	-	564,411
Additions	3,863	-	-	-	3,863
On acquisition of subsidiaries	-	-	-	2,470,491	2,470,491
At 31 December 2020	<u>96,012</u>	<u>195,816</u>	<u>276,446</u>	<u>2,470,491</u>	<u>3,038,765</u>
Amortisation					
At 1 January 2020 (Restated)	59,171	130,476	138,261	-	327,908
Charge for the year	22,737	65,340	89,998	-	178,075
At 31 December 2020	<u>81,908</u>	<u>195,816</u>	<u>228,259</u>	<u>-</u>	<u>505,983</u>
Net book value					
At 31 December 2020	<u>14,104</u>	<u>-</u>	<u>48,187</u>	<u>2,470,491</u>	<u>2,532,782</u>
At 31 December 2019	<u>32,978</u>	<u>65,340</u>	<u>138,185</u>	<u>-</u>	<u>236,503</u>

The Parent Company had no intangible fixed assets at 31 December 2020 or 31 December 2019.

There has been a reallocation to the opening balance of costs and amortisation between software and contracts to correct the classification, this has had no impact on the net book value of the intangible fixed assets.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Tangible fixed assets

Group

	Freehold land £	Lease improvements £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 January 2020	5,000	1,034,383	331,057	4,382,017	5,752,457
Additions	-	-	14,747	445,215	459,962
Acquisition of subsidiary	-	-	907	-	907
Disposals	-	-	-	(8,069)	(8,069)
At 31 December 2020	<u>5,000</u>	<u>1,034,383</u>	<u>346,711</u>	<u>4,819,163</u>	<u>6,205,257</u>
Depreciation					
At 1 January 2020	-	433,137	289,515	2,009,361	2,732,013
Charge for the year	-	119,030	29,032	822,526	970,588
Disposals	-	-	-	(7,489)	(7,489)
At 31 December 2020	<u>-</u>	<u>552,167</u>	<u>318,547</u>	<u>2,824,398</u>	<u>3,695,112</u>
Net book value					
At 31 December 2020	<u>5,000</u>	<u>482,216</u>	<u>28,164</u>	<u>1,994,765</u>	<u>2,510,145</u>
<i>At 31 December 2019</i>	<u>5,000</u>	<u>601,246</u>	<u>41,542</u>	<u>2,372,656</u>	<u>3,020,444</u>

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Tangible fixed assets (continued)

Company

	Freehold land £	Leasehold improvements £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost					
At 1 January 2020	5,000	1,031,344	251,412	4,348,199	5,635,955
Additions	-	-	10,744	427,836	438,580
Disposals	-	-	-	(8,069)	(8,069)
At 31 December 2020	<u>5,000</u>	<u>1,031,344</u>	<u>262,156</u>	<u>4,767,966</u>	<u>6,066,466</u>
Depreciation					
At 1 January 2020	-	431,840	214,822	2,001,073	2,647,735
Charge for the year	-	117,230	24,793	804,198	946,221
Disposals	-	-	-	(7,489)	(7,489)
At 31 December 2020	<u>-</u>	<u>549,070</u>	<u>239,615</u>	<u>2,797,782</u>	<u>3,586,467</u>
Net book value					
At 31 December 2020	<u>5,000</u>	<u>482,274</u>	<u>22,541</u>	<u>1,970,184</u>	<u>2,479,999</u>
At 31 December 2019	<u>5,000</u>	<u>599,504</u>	<u>36,590</u>	<u>2,347,126</u>	<u>2,988,220</u>

SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	2,502
At 31 December 2020	2,502

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Argentis Systems Limited	843 Finchley Road, London NW11 8NA	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	7556 E Camelback Rd., Scottsdale, AZ 85251	Ordinary	100 %

* Investment held indirectly

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Argentis Systems Limited	(889,882)	(316,986)
Argentis Systems Srl	173,116	27,445
Sapphire ERP Systems Private Limited	118,985	49,128
Sapphire Systems Inc.	(28,687)	118,723
Pioneer B1 LLC	(101,743)	-

SAPPHIRE SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Debtors

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Due after more than one year				
Other debtors	<u>1,368,404</u>	<u>1,254,057</u>	<u>1,257,163</u>	<u>1,254,057</u>
	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Due within one year				
Trade debtors	7,663,820	9,322,294	5,479,285	6,378,767
Amounts owed by group undertakings	6,105,884	1,843,120	7,095,431	3,105,937
Other debtors	112,961	170,447	6,020	57,305
Prepayments and accrued income	4,335,623	4,146,205	4,034,456	3,923,683
Tax recoverable	-	327,361	-	311,523
	<u>18,218,288</u>	<u>15,809,427</u>	<u>16,615,192</u>	<u>13,777,215</u>

Amounts owed by group undertakings represents an intercompany loan with the immediate parent company which does not form part of these consolidated accounts.

Amounts falling due after more than one year represents rent deposits.

16. Creditors: Amounts falling due within one year

	Group 2020 £	<i>Group 2019 £</i>	Company 2020 £	<i>Company 2019 £</i>
Trade creditors	2,863,061	2,177,958	2,332,564	1,833,619
Amounts owed to group undertakings	158,913	-	109,301	-
Other creditors	569,190	23,518	136,435	-
Corporation tax	336,993	277,019	333,841	74,502
Other taxation and social security	2,758,943	2,244,972	2,568,289	1,755,412
Accruals	2,079,203	1,757,921	1,589,569	1,485,936
Deferred income	18,205,900	18,001,641	13,428,398	13,997,714
Deferred consideration	391,575	-	-	-
	<u>27,363,778</u>	<u>24,483,029</u>	<u>20,498,397</u>	<u>19,147,183</u>

Deferred income arises from non-cancellable maintenance agreements.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Other creditors	<u>168,378</u>	<u>168,378</u>	<u>168,378</u>	<u>168,378</u>

18. Deferred taxation

Group

			2020 £	2019 £
At beginning of year			167,005	59,500
(Credit)/charge to profit or loss			(121,399)	107,505
At end of year			<u>45,606</u>	<u>167,005</u>

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	64,847	167,005	55,691	167,005
Short-term timing differences	<u>(19,241)</u>	<u>-</u>	<u>(18,660)</u>	<u>-</u>

19. Share capital

			2020 £	2019 £
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
			<u>38,000</u>	<u>38,000</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20. Reserves

Capital redemption reserve

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

Profit and loss account

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

21. Share based payments

A share option plan was created during the year ended 31 December 2019 by the Parent Company. One option was granted, no options lapsed and one option was exercised by one director to acquire 2,325 ordinary A shares of £0.25 each for a total consideration of £1. No options remained exercisable at the balance sheet date.

SAPPHIRE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Business combinations

Acquisition of Pioneer B1 LLC

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustment £	Fair value £
Intangible	907	-	907
	907	-	907
Debtors	140,112	-	140,112
Cash at bank and in hand	468,424	-	468,424
Total assets	609,443	-	609,443
Due within one year	(711,186)	-	(711,186)
Total identifiable net liabilities	(101,743)	-	(101,743)
Goodwill			2,470,491
Total purchase consideration			2,368,748
Consideration			£
Cash			1,875,568
Transaction fees			82,117
Deferred consideration			411,063
Total purchase consideration			2,368,748

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

22. Business combinations (continued)**Cash outflow on acquisition**

	£
Purchase consideration settled in cash, as above	1,875,568
Directly attributable costs	82,117
Less: Cash and cash equivalents acquired	(468,424)
Net cash outflow on acquisition	<u>1,489,261</u>

23. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £305,598 (2019: £323,104). Contributions totalling £87,696 (2019: £49,459) were payable to the fund at the reporting date.

24. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group	<i>Group</i>	Company	<i>Company</i>
	2020	<i>2019</i>	2020	<i>2019</i>
	£	<i>£</i>	£	<i>£</i>
Not later than 1 year	1,266,788	1,356,312	1,111,219	1,128,149
Later than 1 year and not later than 5 years	4,572,617	4,874,325	4,079,980	4,247,296
Later than 5 years	-	967,311	-	941,185
	<u>5,839,405</u>	<i><u>7,197,948</u></i>	<u>5,191,199</u>	<i><u>6,316,630</u></i>

At the reporting end date, the total future minimum sublease payments expected to be received under non-cancellable subleases was £342,393 (2019: £535,454).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2020 £	<i>As restated</i> 2019 £
Aggregate compensation	<u>496,541</u>	<u>828,566</u>

The prior year key management personnel remuneration was restated to reflect the correct total aggregate compensation received by key management. (The amount noted within the prior year financial statements totalled £762,018).

26. Controlling party

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

The ultimate parent and controlling party undertaking is Horizon Capital LLP, a company registered in England and Wales.

The smallest and largest group of undertakings for which group accounts for the year ending 31 December 2020 have been drawn up, is that headed by Muscovite Topco Limited. Copies of the group accounts are available from Companies House.

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