

Company registration number 03595317 (England and Wales)

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

COMPANY INFORMATION

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 24

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Review of the business

Business model

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

Services

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

Our services include:

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

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

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

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

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

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

We may be liable to our clients for damages caused by a violation of intellectual property rights, the disclosure of other confidential information, including personally identifiable information, systems failures, errors or unsatisfactory performance of services, and our insurance policies may not be sufficient to cover these damages.

Changes in privacy regulations may impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.

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

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

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

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

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

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

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

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

Risks relating to our International operations

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

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

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

Key performance indicators

The key financial performance indicators during the year were as follows:

	2022	2021	Change
	£	£	%
Turnover	16,776,113	17,222,412	-2.6%
Operating profit	419,402	430,638	-2.6%
Shareholders funds	8,542,085	8,181,136	4.4%
Cash at bank	2,475,546	3,632,313	-31.8%
Number of employees	41	49	-16.3%

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

Mr P Slattery
Director

11 September 2023

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

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

Results and dividends

The results for the year are set out on page 9.

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

Directors

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

Mr P Slattery
Mr A D Roni
Mr G Roni

Auditor

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

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

Medium-sized companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the medium-sized companies exemption.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

Mr P Slattery
Director

11 September 2023

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Sapiens (UK) Insurance Software Solutions Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 our audit:

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussion with directors and other management, and from our commercial knowledge and experience of this business sector.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence. and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance through the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HM Revenue and Customs, relevant regulators and company legal advisors.

There are inherent limitations in our audit procedures described above. The more removed those laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatement that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mr Inderjith Sivalal
Senior Statutory Auditor
For and on behalf of Hampden

11 September 2023

Chartered Accountants
Statutory Auditor

Hampden House
76 Durham Road
London
SW20 0TL

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	16,776,113	17,222,412
Cost of sales		(15,560,704)	(15,406,697)
Gross profit		1,215,409	1,815,715
Administrative expenses		(1,348,910)	(1,258,333)
Other operating income/(expenses)		552,903	(126,744)
Operating profit	4	419,402	430,638
Interest receivable and similar income	6	-	761,220
Interest payable and similar expenses	7	(2,295)	-
Profit before taxation		417,107	1,191,858
Tax on profit	8	(56,158)	(86,677)
Profit for the financial year		360,949	1,105,181

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£	£
Profit for the year	360,949	1,105,181
Other comprehensive income	-	-
Total comprehensive income for the year	<u>360,949</u>	<u>1,105,181</u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£	£
Fixed assets			
Tangible assets	9	98,809	171,945
Investments	10	2,792	2,792
		<u>101,601</u>	<u>174,737</u>
Current assets			
Debtors	12	11,452,561	8,605,615
Cash at bank and in hand		2,475,546	3,632,313
		<u>13,928,107</u>	<u>12,237,928</u>
Creditors: amounts falling due within one year	13	<u>(5,487,623)</u>	<u>(4,229,513)</u>
Net current assets		<u>8,440,484</u>	<u>8,008,415</u>
Total assets less current liabilities		<u>8,542,085</u>	<u>8,183,152</u>
Provisions for liabilities		<u>-</u>	<u>(2,016)</u>
Net assets		<u>8,542,085</u>	<u>8,181,136</u>
Capital and reserves			
Called up share capital	16	1	1
Share option fund		33,964	33,964
Profit and loss reserves		8,508,120	8,147,171
Total equity		<u>8,542,085</u>	<u>8,181,136</u>

The financial statements were approved by the board of directors and authorised for issue on 11 September 2023 and are signed on its behalf by:

Mr P Slattery
Director

Company Registration No. 03595317

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share option	Profit and loss	Total
	fund	reserves		
	£	£	£	£
Balance at 1 January 2021	1	33,964	7,041,990	7,075,955
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	1,105,181	1,105,181
Balance at 31 December 2021	1	33,964	8,147,171	8,181,136
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	360,949	360,949
Balance at 31 December 2022	1	33,964	8,508,120	8,542,085

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

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

1.1 Accounting convention

Basis of preparation

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

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

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

Consolidation

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

Sapiens (UK) Insurance Software Solutions Limited is a wholly owned subsidiary of Sapiens International Corporation BV and the results of Sapiens (UK) Insurance Software Solutions Limited are included in the consolidated financial statements of the ultimate parent company Sapiens International Corporation NV and are publicly available from its registered office at Azrieli Centre, 26 Harokhaim Street, Holon, 5885800, Israel.

1.2 Going concern

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Turnover

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

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

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

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

1.4 Tangible fixed assets

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

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

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

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

1.5 Fixed asset investments

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

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

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

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

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

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

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

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

1.7 Cash and cash equivalents

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

1.8 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Other financial liabilities

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

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

Deferred tax

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

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

1.11 Employee benefits

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

Short term benefits

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

1.12 Retirement benefits

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Defined contribution pension plans

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

Annual bonus plan

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

Share based payment

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

1.13 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Tangible fixed assets

Determine whether there are any indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking account of residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycle and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of an asset and projected disposal values.

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by geographical market		
Europe, excluding UK	3,632,979	4,052,125
United Kingdom	2,879,018	3,282,964
Rest of the world	10,264,116	9,887,323
	<u>16,776,113</u>	<u>17,222,412</u>
	2022 £	2021 £
Other revenue		
Dividends received	-	761,220
	<u>-</u>	<u>761,220</u>

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(458,246)	126,744
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	10,000
Depreciation of owned tangible fixed assets	77,485	78,677
	<u>(370,761)</u>	<u>315,421</u>

5 Employees

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

2022 Number	2021 Number
41	49
<u>41</u>	<u>49</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,198,250	2,546,789
Social security costs	275,474	310,916
Pension costs	105,215	117,335
	<u>2,578,939</u>	<u>2,975,040</u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Interest receivable and similar income

	2022 £	2021 £
Income from fixed asset investments		
Income from shares in group undertakings	-	761,220
	<u> </u>	<u> </u>

7 Interest payable and similar expenses

	2022 £	2021 £
Other interest on financial liabilities	2,295	-
	<u> </u>	<u> </u>

8 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	90,912	92,412
Adjustments in respect of prior periods	(23,052)	1,873
	<u> </u>	<u> </u>
Total current tax	67,860	94,285
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(11,702)	(7,608)
	<u> </u>	<u> </u>
Total tax charge	56,158	86,677
	<u> </u>	<u> </u>

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

	2022 £	2021 £
Profit before taxation	417,107	1,191,858
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	79,250	226,453
Permanent capital allowances in excess of depreciation	(248)	(277)
Other permanent differences	207	-
Under/(over) provided in prior years	(23,051)	1,873
Deferred tax adjustments in respect of prior years	-	3,260
Dividend income	-	(144,632)
	<u> </u>	<u> </u>
Taxation charge for the year	56,158	86,677
	<u> </u>	<u> </u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

(Continued)

Factors that may affect future tax charges

Increases in the UK corporation tax rate from 19% to 25%, with marginal relief available for profits between £50,000 and £250,000 (effective 1 April 2023) were substantially enacted on 3 March 2021. This will increase the company's future tax charge accordingly.

9 Tangible fixed assets

	Leasehold property	Furniture, fixtures and fittings	Computer equipment and software	Total
	£	£	£	£
Cost				
At 1 January 2022	131,941	209,337	269,059	610,337
Additions	-	-	4,349	4,349
At 31 December 2022	131,941	209,337	273,408	614,686
Depreciation and impairment				
At 1 January 2022	29,500	209,337	199,555	438,392
Depreciation charged in the year	13,194	-	64,291	77,485
At 31 December 2022	42,694	209,337	263,846	515,877
Carrying amount				
At 31 December 2022	89,247	-	9,562	98,809
At 31 December 2021	102,441	-	69,504	171,945

10 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	11	2,792	2,792

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
FIS France	France	Ordinary shares	100.00
FIS-AU Pty Limited	Australia	Ordinary shares	100.00
Sapiens SA (PTY) Limited	South Africa	Ordinary shares	100.00
Sapiens Software Solutions (Norway) AS	Norway	Ordinary shares	100.00

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

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11	Subsidiaries		(Continued)
	Name of undertaking	Capital and Reserves	Profit/(Loss)
		£	£
	FIS France	(488,850)	32,273
	FIS-AU Pty Limited	235,068	47,138
	Sapiens SA (PTY) Limited	91,387	19,280
	Sapiens Software Solutions (Norway) AS	18,330	(6,467)
12	Debtors		
		2022	2021
	Amounts falling due within one year:	£	£
	Trade debtors	3,011,022	2,558,022
	Corporation tax recoverable	87,745	-
	Amounts owed by group undertakings	5,914,542	3,253,476
	Other debtors	-	2,376
	Prepayments and accrued income	2,429,566	2,791,741
		<u>11,442,875</u>	<u>8,605,615</u>
		2022	2021
	Amounts falling due after more than one year:	£	£
	Deferred tax asset (note 14)	9,686	-
		<u></u>	<u></u>
	Total debtors	<u>11,452,561</u>	<u>8,605,615</u>
13	Creditors: amounts falling due within one year		
		2022	2021
		£	£
	Trade creditors	78,368	-
	Amounts owed to group undertakings	3,418,267	1,937,316
	Corporation tax	-	88,672
	Other taxation and social security	251,623	256,401
	Other creditors	17,202	21,402
	Accruals and deferred income	1,722,163	1,925,722
		<u>5,487,623</u>	<u>4,229,513</u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Deferred taxation

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

	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Balances:				
Accelerated capital allowances	-	2,016	9,686	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Movements in the year:				2022 £
Liability at 1 January 2022				2,016
Credit to profit or loss				(11,702)
				<u> </u>
Asset at 31 December 2022				(9,686)
				<u> </u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to timing differences.

15 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	105,215	117,335
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary share of £1 each	1	1	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SAPIENS (UK) INSURANCE SOFTWARE SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Operating lease commitments

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

	2022 £	2021 £
Within one year	187,602	187,602
Between two and five years	750,408	750,408
In over five years	375,204	562,806
	<u>1,313,214</u>	<u>1,500,816</u>

18 Related party transactions

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

19 Ultimate controlling party

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

The ultimate parent company is Sapiens International Corporation NV which prepares consolidated financial statements. The registered office of Sapiens International Corporation NV is Azrieli Centre, 26 Horokmim Street, Holon, 5885800, Israel.

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