

REGISTERED NUMBER: 05377430 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
SCOTT LOGIC LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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SCOTT LOGIC LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS: G A Scott
C N Eberhardt
N C Wilson
M E Brown

SECRETARY: Dr H Estyn-Jones

REGISTERED OFFICE: 1 St. James' Gate
Newcastle upon Tyne
NE1 4AD

REGISTERED NUMBER: 05377430 (England and Wales)

SENIOR STATUTORY AUDITOR: Peter Charles BSc FCA

AUDITORS: Robson Laidler Accountants Limited
Statutory Auditor
Fernwood House
Fernwood Road
Jesmond
Newcastle upon Tyne
Tyne and Wear
NE2 1TJ

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

REVIEW OF BUSINESS

Despite the fact that the Company's year on year growth in sales and profitability slowed in 2019 the year illustrates the strength and ability of the business in dealing with external headwinds.

Although, not achieving anticipated growth the business generated over £6m EBITDA and an increase in Net Worth to £15m.

The year began with optimism amongst clients and the market in expectation of a speedy resolution to the uncertainties surrounding the UK's exit from the European Union which would provide the certainty some sectors in particular need to operate and plan ahead with confidence.

During the year the Company continued to strengthen its operation in all areas including developing new technologies and platforms, recruiting premium talent, adding crucial technical skill sets, strengthening the sales and management teams and enhancing robust internal operating systems, all of which position the Company as a key strategic partner to both existing and new clients across various domains and a range of technologies.

However, the uncertainty caused by the December General Election and the protracted delay in resolving the UK's exit from the European Union, which continues to dampen accelerated growth in 2020, slowed sales in the final part of the year.

The Company nevertheless remains optimistic that it has the ingredients for significant medium term growth and as part of a wider strategy has incorporated its first subsidiary. Scott Logic Aps is based inside the European Union (Denmark) and the new office is planned to be opened in Copenhagen in 2020.

Whilst the past financial year does not reflect the potential of the business it leaves it with a hugely talented workforce, a powerful service offering and a strong financial position with significant liquidity and high net worth.

These strengths are the very components which give the business the armoury to deal with the threats and uncertainty from the Covid-19 virus currently being faced globally. In particular, robust business continuity plans have been effectively utilised which ensure that the Company continues to operate seamlessly in the current challenging climate and provide clients with an uninterrupted premium service.

The domestic and global markets will inevitably suffer but Scott Logic has the skills and financial strength to cope with the upheaval and, as it did in 2008, deliver a measured response and confidently meet the challenges the current year.

Key performance indicators

Revenue increased 14% on the previous year to £31.1m

Pre-tax profit of £6.2m increased net worth by 12% from £13.4m to £15m.

Average staff numbers increased 20% on the previous year to 330.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

PRINCIPAL RISKS AND UNCERTAINTIES

The operational and management information systems continue to be developed in order to provide management with dynamic and targeted data analysis with which to manage the complex needs of the business.

Development is on-going, through a robust management structure, of: governance, internal control procedures and policies which, along with a range of performance indicators, continue to improve the Company's management of risk.

Cybercrime risks pose a specific threat to this and most businesses. The Company continues to strengthen its resilience in this area with substantial investments in leadership and highly specialised technical skills as part of an on-going reinforcement of its Infosecurity procedures.

Timely recruitment and retention of high calibre people is a potential risk to short term growth. This is mitigated by recruitment and retention processes along with innovative and highly competitive employee propositions in all office locations.

The Company carries a credit risk relating to its trade debtors though many clients are quoted multinationals. The widening of the client base, risk assessment of clients before acceptance along with careful monitoring of aged debt help to mitigate this risk.

A foreign currency exposure risk arises on revenues and cash balances denominated in currencies other than sterling. Such balances are monitored on a regular basis.

Operational risks surround delivery of projects but these are managed through rigorous project acceptance, management and quality assurance procedures

As with the previous year an external risk to the Company is confidence levels in the markets in which it operates influenced by the disruptive uncertainty surrounding exit from the European Union and the effects of Covid-19.

The potential impact of these on key clients and domains remains a risk but continues to be carefully monitored.

ON BEHALF OF THE BOARD:

G A Scott - Director

4 June 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of software development, consultancy, software products and services.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2019 was £3,510,500.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

G A Scott
C N Eberhardt
N C Wilson
M E Brown

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Robson Laidler Accountants Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

G A Scott - Director

4 June 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SCOTT LOGIC LIMITED

Opinion

We have audited the financial statements of Scott Logic Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SCOTT LOGIC 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 Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Peter Charles BSc FCA (Senior Statutory Auditor)
for and on behalf of Robson Laidler Accountants Limited
Statutory Auditor
Fernwood House
Fernwood Road
Jesmond
Newcastle upon Tyne
Tyne and Wear
NE2 1TJ

4 June 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
TURNOVER	4		31,053,502		27,160,281
Administrative expenses			25,220,947		20,477,021
			5,832,555		6,683,260
Other operating income			(21,992)		97,211
OPERATING PROFIT			5,810,563		6,780,471
Income and gains from fixed asset investments		291,101		(134,588)	
Interest receivable and similar income		66,691		149,949	
			357,792		15,361
PROFIT BEFORE TAXATION	6		6,168,355		6,795,832
Tax on profit	7		1,044,790		971,468
PROFIT FOR THE FINANCIAL YEAR			5,123,565		5,824,364
OTHER COMPREHENSIVE INCOME			-		30,243
Income tax relating to other comprehensive income			-		-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX			-		30,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			5,123,565		5,854,607

SCOTT LOGIC LIMITED (REGISTERED NUMBER: 05377430)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
FIXED ASSETS					
Tangible assets	9		754,309		547,707
Investments	10		5,817		-
			<u>760,126</u>		<u>547,707</u>
CURRENT ASSETS					
Debtors	11	4,801,722		4,040,310	
Investments	12	2,181,202		1,228,379	
Cash at bank and in hand		10,990,781		11,687,339	
		<u>17,973,705</u>		<u>16,956,028</u>	
CREDITORS					
Amounts falling due within one year	13	3,711,808		4,094,777	
NET CURRENT ASSETS			<u>14,261,897</u>		<u>12,861,251</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,022,023</u>		<u>13,408,958</u>
CAPITAL AND RESERVES					
Called up share capital	16		20,650		20,650
Share premium	17		1,138		1,138
Share based payment reserve	17		30,243		30,243
Retained earnings	17		14,969,992		13,356,927
SHAREHOLDERS' FUNDS			<u>15,022,023</u>		<u>13,408,958</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 June 2020 and were signed on its behalf by:

G A Scott - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Retained earnings £	Share premium £	Share based payment reserve £	Total equity £
Balance at 1 January 2018	20,400	10,894,563	688	-	10,915,651
Changes in equity					
Issue of share capital	250	-	450	-	700
Dividends	-	(3,362,000)	-	-	(3,362,000)
Total comprehensive income	-	5,824,364	-	30,243	5,854,607
Balance at 31 December 2018	<u>20,650</u>	<u>13,356,927</u>	<u>1,138</u>	<u>30,243</u>	<u>13,408,958</u>
Changes in equity					
Dividends	-	(3,510,500)	-	-	(3,510,500)
Total comprehensive income	-	5,123,565	-	-	5,123,565
Balance at 31 December 2019	<u>20,650</u>	<u>14,969,992</u>	<u>1,138</u>	<u>30,243</u>	<u>15,022,023</u>

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	5,124,970	5,530,259
Tax paid		<u>(1,177,215)</u>	<u>(1,192,231)</u>
Net cash from operating activities		<u>3,947,755</u>	<u>4,338,028</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(532,928)	(192,485)
Purchase of fixed asset investments		(5,817)	-
Purchase of current asset investments		(691,232)	(37,878)
Interest received		66,691	149,949
Dividends received		29,473	24,242
Net cash from investing activities		<u>(1,133,813)</u>	<u>(56,172)</u>
Cash flows from financing activities			
Share issue		-	700
Equity dividends paid		<u>(3,510,500)</u>	<u>(3,362,000)</u>
Net cash from financing activities		<u>(3,510,500)</u>	<u>(3,361,300)</u>
(Decrease)/increase in cash and cash equivalents		<u>(696,558)</u>	<u>920,556</u>
Cash and cash equivalents at beginning of year	2	11,687,339	10,766,783
Cash and cash equivalents at end of year	2	<u>10,990,781</u>	<u>11,687,339</u>

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019	2018
	£	£
Profit before taxation	6,168,355	6,795,832
Depreciation charges	326,326	273,203
Loss on disposal of fixed assets	-	911
Other non cash items	30,243	30,243
Finance income	<u>(357,792)</u>	<u>(15,361)</u>
	6,167,132	7,084,828
Increase in trade and other debtors	<u>(902,824)</u>	<u>(981,370)</u>
Decrease in trade and other creditors	<u>(139,338)</u>	<u>(573,199)</u>
Cash generated from operations	<u>5,124,970</u>	<u>5,530,259</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>10,990,781</u>	<u>11,687,339</u>

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>11,687,339</u>	<u>10,766,783</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank and in hand	<u>11,687,339</u>	<u>(696,558)</u>	<u>10,990,781</u>
	<u>11,687,339</u>	<u>(696,558)</u>	<u>10,990,781</u>
Liquid resources			
Current asset investments	<u>1,228,379</u>	<u>952,823</u>	<u>2,181,202</u>
	<u>1,228,379</u>	<u>952,823</u>	<u>2,181,202</u>
Total	<u>12,915,718</u>	<u>256,265</u>	<u>13,171,983</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. STATUTORY INFORMATION

Scott Logic Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The financial statements are rounded to the nearest pound (£).

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared 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 financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

Due to the Coronavirus outbreak there are significant impacts on the economy in general and, with no expected date when the restrictions will be lifted, there is likely to be a significant impact on the company's future income, profits and cashflow.

At present the company has sufficient resources to continue for the foreseeable future and, therefore, the financial statements have been prepared on a going concern basis which, in the opinion of the directors, is the appropriate basis. In the event that the company is unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount and re-classify long term liabilities as current liabilities.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Significant judgements and estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. If, in the future, such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and judgements will be modified as appropriate in the year in which the circumstances change.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

The estimated useful lives of tangible fixed assets

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. ACCOUNTING POLICIES - continued

Turnover

Turnover and profits on long term contracts for the supply of services are recognised as the right to consideration obtained through the performance of work under the contract. Any unbilled work at a period end is recognised as turnover and accrued income.

Turnover and profits from one-off engagements of short term duration are recognised on the completion of the relevant work. The costs incurred on unfinished work are included within work in progress at cost, less a provision for any loss anticipated on the contract.

Turnover from software support provided to customers is recognised over the term of the agreement.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Office equipment	- 33% straight line basis
Fixtures and fittings	- 33% straight line basis
Computer equipment	- 33% straight line basis

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Current asset investments

Current asset investments representing listed investments are valued at the closing market value on the balance sheet date.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Neither current nor deferred taxation assets and liabilities are discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

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

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

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit in the period to which they relate.

Government grants

Government grants in respect of revenue expenditure incurred are credited to the profit and loss account in the period in which they are receivable.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and current balances with banks and other institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. This definition is also used for the cash flow statement.

Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Impairment of assets

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Provisions

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

Rendering of services £31,053,502 (2018: £27,160,281)

An analysis of turnover by geographical market is given below:

	2019	2018
UK	83%	79%
Rest of World	17%	21%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

5. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	18,535,894	14,609,325
Social security costs	2,056,932	1,627,219
Other pension costs	1,085,372	771,213
	<u>21,678,198</u>	<u>17,007,757</u>

The average number of employees during the year was as follows:

	2019	2018
IT and administrative staff	<u>330</u>	<u>276</u>

	2019	2018
	£	£
Directors' remuneration	519,612	604,818
Directors' pension contributions to money purchase schemes	<u>23,500</u>	<u>34,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
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Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	289,605	363,355
Pension contributions to money purchase schemes	<u>15,000</u>	<u>13,750</u>

6. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2019	2018
	£	£
Other operating leases	557,534	660,708
Depreciation - owned assets	326,326	273,203
Loss on disposal of fixed assets	-	911
Auditors' remuneration	8,350	7,600
Foreign exchange differences	34,090	(86,900)
Auditors remuneration for non audit services	18,460	12,683
Changes in value of investments	<u>(261,628)</u>	<u>158,830</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019 £	2018 £
Current tax:		
UK corporation tax	909,380	1,211,017
Adjustment in respect of earlier years	<u>(6,002)</u>	<u>(136,169)</u>
Total current tax	903,378	1,074,848
Deferred tax	<u>141,412</u>	<u>(103,380)</u>
Tax on profit	<u><u>1,044,790</u></u>	<u><u>971,468</u></u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>6,168,355</u>	<u>6,795,832</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,171,987	1,291,208
Effects of:		
Expenses not deductible for tax purposes	5,288	1,049
Income not taxable for tax purposes	720	(590)
Depreciation in excess of capital allowances	18,033	10,440
Adjustments to tax charge in respect of previous periods	(6,001)	(136,169)
Other adjustments	(286,649)	(91,090)
Deferred tax	141,412	(103,380)
Total tax charge	<u><u>1,044,790</u></u>	<u><u>971,468</u></u>

Tax effects relating to effects of other comprehensive income

	Gross £	2018 Tax £	Net £
Grant of share options	<u>30,243</u>	<u>-</u>	<u>30,243</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

8. DIVIDENDS

	2019 £	2018 £
Ordinary shares of £1 each Interim and final	3,510,500	-
B ordinary shares of £1 each Interim and final	-	62,000
A ordinary shares of £1 each Interim and final	-	3,300,000
	<u>3,510,500</u>	<u>3,362,000</u>

9. TANGIBLE FIXED ASSETS

	Office equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2019	7,012	779,101	403,904	1,190,017
Additions	-	440,475	92,453	532,928
At 31 December 2019	<u>7,012</u>	<u>1,219,576</u>	<u>496,357</u>	<u>1,722,945</u>
DEPRECIATION				
At 1 January 2019	3,516	416,442	222,352	642,310
Charge for year	2,118	209,578	114,630	326,326
At 31 December 2019	<u>5,634</u>	<u>626,020</u>	<u>336,982</u>	<u>968,636</u>
NET BOOK VALUE				
At 31 December 2019	<u>1,378</u>	<u>593,556</u>	<u>159,375</u>	<u>754,309</u>
At 31 December 2018	<u>3,496</u>	<u>362,659</u>	<u>181,552</u>	<u>547,707</u>

10. FIXED ASSET INVESTMENTS

	Shares in group undertakin £
COST	
Additions	5,817
At 31 December 2019	<u>5,817</u>
NET BOOK VALUE	
At 31 December 2019	<u>5,817</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. **FIXED ASSET INVESTMENTS - continued**

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Scott Logic ApS

Registered office: Denmark

Nature of business: Software services

Class of shares:	%
Ordinary	holding 100.00

11. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade debtors	4,111,401	3,264,801
Amounts recoverable on contract	175,607	273,085
Other debtors	106,484	39,708
Deferred tax asset	29,305	170,717
Prepayments and accrued income	378,925	291,999
	<u>4,801,722</u>	<u>4,040,310</u>

Deferred tax asset

	2019	2018
	£	£
Other timing differences	139,011	233,790
Accelerated capital allowances	(109,706)	(63,073)
	<u>29,305</u>	<u>170,717</u>

12. **CURRENT ASSET INVESTMENTS**

	2019	2018
	£	£
Listed investments	<u>2,181,202</u>	<u>1,228,379</u>

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade creditors	254,559	136,027
Amounts owed to group undertakings	30,206	-
Corporation tax	193,677	467,514
Social security and other taxes	880,361	899,917
Other creditors	274,958	284,707
Accrued expenses	2,078,047	2,306,612
	<u>3,711,808</u>	<u>4,094,777</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 £	2018 £
Within one year	821,722	571,252
Between one and five years	2,140,953	1,184,352
In more than five years	1,499,012	755,126
	<u>4,461,687</u>	<u>2,510,730</u>

15. DEFERRED TAX

	£
Balance at 1 January 2019	(170,717)
Charge to profit or loss	141,412
Balance at 31 December 2019	<u>(29,305)</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2019 £	2018 £
20,650	Ordinary	£1	20,650	-
650	B ordinary	£1	-	650
20,000	A ordinary	£1	-	20,000
			<u>20,650</u>	<u>20,650</u>

On 14 January 2019 there was a change in the designation of the issued share capital.

17. RESERVES

	Retained earnings £	Share premium £	Share based payment reserve £	Totals £
At 1 January 2019	13,356,927	1,138	30,243	13,388,308
Profit for the year	5,123,565			5,123,565
Dividends	(3,510,500)			(3,510,500)
At 31 December 2019	<u>14,969,992</u>	<u>1,138</u>	<u>30,243</u>	<u>15,001,373</u>

Reserves:

Retained earnings - includes all current and prior period retained profits and losses.

Share premium account - reserve created from the company's previous issue of share capital.

Share based payment reserve - reserve created from the grant of share based settlements

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. ULTIMATE PARENT COMPANY

Logical Holdings Limited (incorporated in England and Wales) is regarded by the directors as being the company's ultimate parent company.

A copy of the consolidated financial statements can be obtained via the Companies House website.

19. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

20. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is G A Scott.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.