

REGISTERED NUMBER: 05377430 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
SCOTT LOGIC LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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SCOTT LOGIC LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS:	G A Scott C N Eberhardt M E Brown G Odds
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 2020**

The directors present their strategic report for the year ended 31 December 2020.

REVIEW OF BUSINESS

The past year proved to be a successful year for the business in adapting to the challenges of the economic environment whilst at the same time generating significant growth potential.

Steering the business through the disruptions caused by the pandemic and from leaving the European Union has demonstrated strong leadership and resilience throughout the Company. These and additional new skills give the Company considerable optimism and every confidence that it can deliver its services to an ever increasing and diverse client base.

The current year has begun strongly and crucial to building on this success is the internal strength of the business. To this end providing a people promise to its employees, social responsibility and encouraging diversity are seen as themes which are the foundations of Scott Logic and only by championing and developing them can it then provide clients with the services they need in challenging times.

To continue taking the business forward the Company has further strengthened its senior team with the arrival of Stephen Foreshew-Cain, who brings extensive commercial, public sector, business strategy skills to the business, as CEO in January 2021.

Additionally, the appointment of Graham Odds to the Board in November last year adds to a talented team that can help secure sustainable medium and long term growth.

The past year started slowly but the Company's underlying strengths in developing new technologies and platforms, employing premium talent and having crucial skill sets proved to be the very ingredients that clients have sought in such challenging times.

This led to accelerated growth in the second half of the year which, allied with strong internal operating and cost control systems, enabled the Company to generate almost £6m EBITDA on turnover of £32m and increase Net Worth to £20m.

The Company did draw on the Government's Job Retention Scheme in the early part of the year but repaid all funds later in the year.

The outlook for the current year is hugely positive as the Company looks to expand its operations with the opening of the office in Leeds, building on its European Union operations in Copenhagen and through its broadening client and sector base.

The Company remains optimistic that it can generate sustainable growth and profitability in the coming years.

Key performance indicators

Revenue increased marginally on the previous year to £31.9m

Pre-tax profit of £5.6m increased net worth by 31% from £15m to £19.8m.

Average staff numbers were 304 compared to 330 in the previous year.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Covid-19 pandemic which has damaged global economies and created great uncertainty remains a threat. As a digitally based business the Company has, however, been able to adapt seamlessly to a new way of working and continue providing clients with an uninterrupted service. The Company will continue to review and respond to new ways of working in the best interests of all its stakeholders.

There remains, however, an external risk to the Company in the confidence levels of clients affected by the pandemic and also from leaving the European Union. The Company will continue to develop its relationships with all clients and to create long term partnerships in order to fully appreciate, respond and anticipate client needs as they adapt to changing circumstances.

Recruiting and retaining high calibre staff is essential to the future of the business and is given the highest priority. The Company will always aim to provide all employees with a challenging and rewarding career and to attract experienced talent and develop new talent through its graduate programme. In addition, the expansion of operations in Copenhagen and the opening of a new Leeds office in 2021 will add to the catchment area of skilled staff.

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

Operational and management information systems are continually reviewed and enhanced to ensure their relevance to the business through: governance, internal control procedures and policies, performance indicators, in order to improve the Company's performance and management of risk.

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

Credit risks are mitigated by partnering with creditworthy businesses and managing concentration levels.

Foreign currency exposure risks arise on revenues and cash balances denominated in currencies other than sterling. Such balances are monitored on a regular basis and are not currently considered to be a material risk.

The Company is debt free and carries no interest rate risk.

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

SECTION 172(1) STATEMENT

This year the company is required for the first time to prepare a statement under Section 172 of the Companies Act 2006.

Under S172 the directors of a company Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The accompanying Annual Report demonstrates clearly its operating context, employee considerations, employee engagement, partnership ethos and high standards.

We understand that it is important for business at all levels to engage with its stakeholders as we gain a better understanding of what areas they are interested in or concerned about and also how our decisions have impacted them. The Board are updated regularly on stakeholder engagement and any stakeholder engagement supports the Board's regard to the likely consequences of any decision in the long term.

There may be some instances where conflicts arise between stakeholders groups. In these circumstances, the Board works to understand the needs and priorities of each stakeholder group. This should then ensure the needs of the stakeholders aligns with those of the Company, thus increasing the likelihood of the Company achieving long term sustainable success.

ON BEHALF OF THE BOARD:

G A Scott - Director

28 September 2021

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

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

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 2020 was £Nil.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

G A Scott
C N Eberhardt
M E Brown

Other changes in directors holding office are as follows:

G Odds - appointed 17 November 2020

N C Wilson ceased to be a director after 31 December 2020 but prior to the date of this report.

CHARITABLE DONATIONS

Total charitable donations made during the year amounted to £200,584 (2019: £287). These donations were made to a number of local charities and other institutions.

ENGAGEMENT WITH EMPLOYEES

We engage with our employees on a regular basis, with monthly updates which are by all employees. We have a sustained focus on employee engagement which is key to building a relationship with our staff, allowing us to understand their needs and adapt the way we work.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

We have set out below how we have engaged with and taken into consideration the needs of our stakeholders. These stakeholders continue to represent the key resources and relationships of the Company, as well as being the key to the Company's long term success.

Customers

We work hard to put customers at the heart of everything we do. Despite the disruption caused to our work flows as a result of Covid 19 we have continued to offer a first class service to all our customers.

Suppliers

The company works responsibly with its suppliers. We look to build strong relationships giving us an opportunity to understand better the services we procure. We aim to pay our suppliers promptly, within the terms they set out.

DISABLED EMPLOYEES

The company is an equal opportunities employer and welcomes applications from disabled persons where the requirements of the job can be fulfilled. Were an existing employee to become disabled we would work to provide continuing employment under normal terms and conditions.

STREAMLINED ENERGY AND CARBON REPORTING

	Unit	2020
Scope 2 emissions (indirect)	tonnes CO2e	18.20
Scope 3 emissions (other indirect)	tonnes CO2e	1.71
Total Greenhouse Gas emissions	tonnes CO2e	19.91
Greenhouse gas emissions per employee	tonnes CO2e	0.065

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

Data is provided as tonnes of carbon dioxide equivalent (CO2e) for all operations. Scope 2 and 3 include emissions from our sites, offices and vehicles. The Company's chosen intensity measure is emissions per employee. The report data has been collated internally and CO2e have been calculated using actual prices per kwh. CO2e has been calculated using the National Energy Foundation Carbon Calculator.

We have reported on the emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 apart from the exclusions noted. The reported sources fall within our financial statements and are emissions over which we have financial control. We do not have responsibility for any emissions sources that are not included in our statements.

Scott Logic Limited is concerned about energy consumption and carbon emissions and will continue to identify ways of saving energy and reduce on carbon emissions.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

28 September 2021

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 2020 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 2020 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

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 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 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 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 six, 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.

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

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.

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:

Based on our understanding of the company, we identified that there were no principal risks of non-compliance with laws and regulations central to the company's operations as it does not have to report to a regulatory body and there is no supervisory body which monitors its operations. We also considered those laws and regulations that have a direct impact on the financial statements of the company such as the Companies Act 2006 and UK tax legislation.

Audit procedures performed by the engagement team included:

Discussions with UK directors and key management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;

Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

Reviewing relevant meeting minutes;

Identifying and testing journal entries based on risk criteria;

Testing transactions entered into outside of the company's normal course of business.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment or collusion.

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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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

30 September 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
TURNOVER	4		31,986,352		31,053,502
Administrative expenses			26,720,945		25,220,947
			5,265,407		5,832,555
Other operating income			39,332		(21,992)
OPERATING PROFIT			5,304,739		5,810,563
Income and gains from fixed asset investments		146,524		291,101	
Interest receivable and similar income		211,943		66,691	
			358,467		357,792
PROFIT BEFORE TAXATION	6		5,663,206		6,168,355
Tax on profit	7		879,546		1,044,790
PROFIT FOR THE FINANCIAL YEAR			4,783,660		5,123,565
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			4,783,660		5,123,565

SCOTT LOGIC LIMITED (REGISTERED NUMBER: 05377430)**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
FIXED ASSETS					
Tangible assets	9		434,837		754,309
Investments	10		5,817		<u>5,817</u>
			<u>440,654</u>		<u>760,126</u>
CURRENT ASSETS					
Debtors	11	4,167,526		4,801,722	
Investments	12	2,395,875		2,181,202	
Cash at bank and in hand		<u>16,087,694</u>		<u>10,990,781</u>	
		<u>22,651,095</u>		<u>17,973,705</u>	
CREDITORS					
Amounts falling due within one year	13	<u>3,286,066</u>		<u>3,711,808</u>	
NET CURRENT ASSETS			<u>19,365,029</u>		<u>14,261,897</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,805,683</u>		<u>15,022,023</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		<u>19,753,652</u>		<u>14,969,992</u>
SHAREHOLDERS' FUNDS			<u>19,805,683</u>		<u>15,022,023</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2021 and were signed on its behalf by:

G A Scott - Director

The notes form part of these financial statements

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

	Called up share capital £	Retained earnings £	Share premium £	Share based payment reserve £	Total equity £
Balance at 1 January 2019	20,650	13,356,927	1,138	30,243	13,408,958
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>
Changes in equity					
Total comprehensive income	-	4,783,660	-	-	4,783,660
Balance at 31 December 2020	<u>20,650</u>	<u>19,753,652</u>	<u>1,138</u>	<u>30,243</u>	<u>19,805,683</u>

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	5,898,402	5,124,970
Tax paid		(856,514)	(1,177,215)
Net cash from operating activities		<u>5,041,888</u>	<u>3,947,755</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(88,769)	(532,928)
Purchase of fixed asset investments		(214,673)	(5,817)
Purchase of current asset investments		-	(691,232)
Interest received		211,943	66,691
Dividends received		146,524	29,473
Net cash from investing activities		<u>55,025</u>	<u>(1,133,813)</u>
Cash flows from financing activities			
Equity dividends paid		-	(3,510,500)
Net cash from financing activities		<u>-</u>	<u>(3,510,500)</u>
Increase/(decrease) in cash and cash equivalents		5,096,913	(696,558)
Cash and cash equivalents at beginning of year	2	10,990,781	11,687,339
Cash and cash equivalents at end of year	2	<u>16,087,694</u>	<u>10,990,781</u>

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £	2019 £
Profit before taxation	5,663,206	6,168,355
Depreciation charges	408,241	326,326
Other non cash items	19,800	30,243
Finance income	<u>(358,467)</u>	<u>(357,792)</u>
	5,732,780	6,167,132
Decrease/(increase) in trade and other debtors	631,277	(902,824)
Decrease in trade and other creditors	<u>(465,655)</u>	<u>(139,338)</u>
Cash generated from operations	<u>5,898,402</u>	<u>5,124,970</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 2020

	31.12.20 £	1.1.20 £
Cash and cash equivalents	<u>16,087,694</u>	<u>10,990,781</u>

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>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.20 £	Cash flow £	At 31.12.20 £
Net cash			
Cash at bank and in hand	<u>10,990,781</u>	<u>5,096,913</u>	<u>16,087,694</u>
	10,990,781	5,096,913	16,087,694
Liquid resources			
Current asset investments	<u>2,181,202</u>	<u>214,673</u>	<u>2,395,875</u>
	2,181,202	214,673	2,395,875
Total	<u>13,171,983</u>	<u>5,311,586</u>	<u>18,483,569</u>

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

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, and in accordance with applicable accounting standards.

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.

Preparation of consolidated financial statements

The financial statements contain information about Scott Logic Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, , England and Wales.

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 2020**

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.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the company will comply with conditions attaching to them and the grants will be received using the performance/accrual model.

Grants in respect of revenue expenditure are credited to revenue in order to match the income against the expenditure to which the grant relates.

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.

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

3. ACCOUNTING POLICIES - continued

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.

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.

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 £31,986,352 (2019: £31,053,502)

An analysis of turnover by geographical market is given below:

	2020	2019
UK	85%	83%
Rest of World	15%	17%
	100%	100%

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

5. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	19,803,107	18,535,894
Social security costs	2,117,304	2,056,932
Other pension costs	1,171,833	1,085,372
	<u>23,092,244</u>	<u>21,678,198</u>

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

	2020	2019
IT and administrative staff	<u>304</u>	<u>330</u>

	2020	2019
	£	£
Directors' remuneration	714,014	519,612
Directors' pension contributions to money purchase schemes	<u>31,484</u>	<u>23,500</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:

	2020	2019
	£	£
Emoluments etc	467,500	289,605
Pension contributions to money purchase schemes	<u>-</u>	<u>15,000</u>

6. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2020	2019
	£	£
Other operating leases	790,062	557,534
Depreciation - owned assets	408,241	326,326
Auditors' remuneration	8,000	8,350
Foreign exchange differences	(12,170)	34,090
Auditors remuneration for non audit services	44,538	18,460
Changes in value of investments	<u>(126,167)</u>	<u>(261,628)</u>

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

7. TAXATION

Analysis of the tax charge

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

	2020 £	2019 £
Current tax:		
UK corporation tax	876,627	909,380
Adjustment in respect of earlier years	-	(6,002)
Total current tax	<u>876,627</u>	<u>903,378</u>
Deferred tax	2,919	141,412
Tax on profit	<u>879,546</u>	<u>1,044,790</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:

	2020 £	2019 £
Profit before tax	<u>5,663,206</u>	<u>6,168,355</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,076,009	1,171,987
Effects of:		
Expenses not deductible for tax purposes	35	5,288
Income not taxable for tax purposes	-	720
Depreciation in excess of capital allowances	54,649	18,033
Adjustments to tax charge in respect of previous periods	-	(6,001)
Other adjustments	(254,066)	(286,649)
Deferred tax	2,919	141,412
Total tax charge	<u>879,546</u>	<u>1,044,790</u>

8. DIVIDENDS

	2020 £	2019 £
Ordinary shares of £1 each		
Interim and final	<u>-</u>	<u>3,510,500</u>

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

9. TANGIBLE FIXED ASSETS

	Office equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2020	7,012	1,219,576	496,357	1,722,945
Additions	-	49,015	39,754	88,769
Disposals	(1,360)	(195,272)	(154,596)	(351,228)
At 31 December 2020	<u>5,652</u>	<u>1,073,319</u>	<u>381,515</u>	<u>1,460,486</u>
DEPRECIATION				
At 1 January 2020	5,634	626,020	336,982	968,636
Charge for year	1,884	304,181	102,176	408,241
Eliminated on disposal	(1,360)	(195,272)	(154,596)	(351,228)
At 31 December 2020	<u>6,158</u>	<u>734,929</u>	<u>284,562</u>	<u>1,025,649</u>
NET BOOK VALUE				
At 31 December 2020	<u>(506)</u>	<u>338,390</u>	<u>96,953</u>	<u>434,837</u>
At 31 December 2019	<u>1,378</u>	<u>593,556</u>	<u>159,375</u>	<u>754,309</u>

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2020 and 31 December 2020	<u>5,817</u>
NET BOOK VALUE	
At 31 December 2020	<u>5,817</u>
At 31 December 2019	<u>5,817</u>

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:	% holding
Ordinary	100.00

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

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	3,524,458	4,111,401
Amounts owed by group undertakings	4,363	-
Amounts recoverable on contracts	81,716	175,607
Other debtors	762	106,484
Deferred tax asset	26,386	29,305
Prepayments and accrued income	529,841	378,925
	<u>4,167,526</u>	<u>4,801,722</u>
Deferred tax asset	2020	2019
	£	£
Other timing differences	81,442	139,011
Accelerated capital allowances	(55,056)	(109,706)
	<u>26,386</u>	<u>29,305</u>

12. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Listed investments	<u>2,395,875</u>	<u>2,181,202</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	172,091	254,559
Amounts owed to group undertakings	41,101	30,206
Corporation tax	213,790	193,677
Social security and other taxes	907,164	880,361
Other creditors	136,955	274,958
Accrued expenses	1,814,965	2,078,047
	<u>3,286,066</u>	<u>3,711,808</u>

14. LEASING AGREEMENTS

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

	2020	2019
	£	£
Within one year	801,397	821,722
Between one and five years	1,742,307	2,140,953
In more than five years	1,096,262	1,499,012
	<u>3,639,966</u>	<u>4,461,687</u>

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

15. DEFERRED TAX

	£
Balance at 1 January 2020	(29,305)
Charge to Statement of Comprehensive Income during year	2,919
Balance at 31 December 2020	<u>(26,386)</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2020	2019
		£1	£	£
20,650	Ordinary		20,650	20,650
			<u>20,650</u>	<u>20,650</u>

17. RESERVES

	Retained earnings	Share premium	Share based payment reserve	Totals
	£	£	£	£
At 1 January 2020	14,969,992	1,138	30,243	15,001,373
Profit for the year	4,783,660			4,783,660
At 31 December 2020	<u>19,753,652</u>	<u>1,138</u>	<u>30,243</u>	<u>19,785,033</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

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.