Company Registration No. SC154934 (Scotland)

API SOFTWARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2021

API SOFTWARE LIMITED

COMPANY INFORMATION

Directors	G McHarg	
	K Bain	(Appointed 25 February 2021)
	A Davison	(Appointed 25 February 2021)
	A Conroy	(Appointed 25 February 2021)
Secretary	G McHarg	
Company number	SC154934	
Registered office	The Garment Factory 10 Montrose Street GLASGOW G1 1RE	
Auditor	Johnston Carmichael LLP 227 West George Street Glasgow G2 2ND	

API SOFTWARE LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 26

API SOFTWARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2021

The directors present the strategic report for the year ended 31 January 2021.

Fair review of the business

The company has continued to provide financial control, regulatory reporting and data management software to the financial services sector in the UK, Europe and North America from its headquarters in the UK.

The company generates subscription and hosting revenues from the provision of its cloud-based software as a service ("SaaS") platform and professional services from implementation and configuration of the software solutions.

Business Environment

The drive for greater integrity, transparency and accountability within the financial services sector has led to increased regulation of financial institutions and growing demand for the company's financial control and regulatory reporting solutions.

The company software automates high-volume reconciliation, exception management and data analysis workflows, delivering operational efficiency and improved governance of financial and regulatory risk.

The company is committed to ongoing product development and innovation to meet the needs of its customers and was named as one of the world's most innovative companies in the RegTech 100 for the third consecutive year.

Business Strategy

The business strategy is focused on delivering ongoing customer success along with continued growth in the company's chosen markets of Asset Management, Insurance, Banking and Payments, within the global financial services market.

Having experienced significant growth over the last three years the company entered into a partnership with Scottish Equity Partners ("SEP"), a growth equity investor, on 25 February 2021.

Partnering with SEP will support the company to further enhance its proposition to address a $2 billion per annum global regulatory and data management software market and will enable the company to accelerate its product development plans and further extend its offering internationally.

Principal risks and uncertainties

The board has performed an assessment of the principal risks and uncertainties that could threaten the business, including strategy, financial results, future performance, solvency or liquidity. The items listed below represent the principal risks and uncertainties, as well as the mitigation steps taken to safeguard against materialised risks.

Software development and service delivery failures

The company operates in the software development sector which is highly innovative and subject to change. This risk is mitigated by the recruitment of staff with the relevant competencies and experience, as well as continually advancing the architectural development of the software.

Issues or failures with our software delivery could lead to failed implementations, project delays, data loss, security issues, early termination and contractual claims, all of which could adversely impact the company's revenues, earnings and reputation. To mitigate this, we operate a clear methodology to align customer expectations from the outset, manage projects effectively and minimise issues or delays. Where necessary, we invest time and resource to rectify errors and minimise contractual, commercial and reputational risks. As a result, we successfully completed all scheduled projects in the year.

Retention and wellbeing of our employees

The company made it a key priority during the year to monitor and support the wellbeing of our staff whilst they worked from home during the Covid-19 pandemic. As we prepared for our employees to return to offices, sensible actions were taken to protect their health and safety whilst attending premises.

Staff retention was high in the year and the results of our annual staff survey confirm that staff are highly engaged. We refreshed our corporate values and are continually reviewing our policies and processes to ensure our staff remain highly engaged and productive.

Data and cyber risks

A significant data loss, security breach or cyber-attack could significantly threaten the company's ability to do business, particularly in the short term, and could result in significant financial loss.

The company successfully retained its ISO27001 accreditation in March 2020 as part of the company's ongoing investment in ensuring we provide customers with the highest levels of service and security from our platform.

Key performance indicators

The trading results of the company are set on page 10. The results show an increase of revenue for the year to £9,041,854 (2020: £8,257,458), operating profit of £619,872 (2020: £570,211) and net cash of £2,899,082 (2020: £2,307,266) as at 31 January 2021.

Despite the wider economic and social challenges of 2020, the sales performance for the period was strong with overall revenue growth of approximately 10%, and underlying growth of approximately 24% in forward-looking annual recurring revenue ("ARR").

Future developments

The company continues to see a significant demand within the financial services sector for regulatory reporting solutions, with many firms already implementing the company's cloud-based SaaS platform through 2021 and a strong pipeline of opportunities building for 2022 and beyond.

The board believes the company is well positioned for growth and will continue to make investments in both refreshing the core product and technology platform as well as strengthening our talent pool of employees across the business to meet the needs of our loyal customers.

This report was approved and signed on behalf of the board of directors.

K Bain
Director

28 October 2021

API SOFTWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2021

The directors present their annual report and financial statements for the year ended 31 January 2021.

Principal activities
The principal activity of the company continued to be the development of financial control, regulatory reporting and data management software to the financial services sector in the UK, Europe and North America.

Results and dividends
The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £300,000. The directors do not recommend payment of a further dividend.

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

G McHarg	
S Morosi	(Resigned 25 February 2021)
G Urquhart	(Resigned 25 February 2021)
K Bain	(Appointed 25 February 2021)
A Davison	(Appointed 25 February 2021)
A Conroy	(Appointed 25 February 2021)

Auditor
The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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.

On behalf of the board

K Bain
Director

28 October 2021

API SOFTWARE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF API SOFTWARE LIMITED

Opinion

We have audited the financial statements of API Software Limited (the 'company') for the year ended 31 January 2021 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2021 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.

Matters on which we are required to report by exception
In the light of our 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 and the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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.

Extent to which an audit is considered capable of detecting irregularities, including fraud
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.

Extent to which an audit is considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation
- General Data Protection legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through testing of a sample of legal and professional fees within the year to detect evidence of instances of non-compliance with laws and regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Enquiry of management and those charged with governance around actual and potential litigation and claims.
- Inspection of legal fees incurred in the year under audit for evidence of fees incurred in respect of non-compliance with laws and regulations.
- Identifying and testing journal entries, focusing on manual journal entries above our performance materiality assessment as well as journals meeting other predefined criteria such as journals containing round sum amounts that could be an indicator of management override.
- Inspection of the appropriateness and testing of the application of the company's revenue recognition policy.
- Inspection of the financial statement disclosures for compliance with applicable law and the financial reporting framework.

Extent to which an audit is considered capable of detecting irregularities, including fraud (continued)

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-resp
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.

Christopher Wilkie (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

28 October 2021

Chartered Accountants
Statutory Auditor

227 West George Street
Glasgow
G2 2ND

API SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2021

		2021	2020
		£	£
Turnover	**3**	9,041,854	8,257,458
Administrative expenses		(8,443,694)	(7,737,247)
Other operating income		21,712	50,000
Operating profit	**4**	619,872	570,211
Interest receivable and similar income	**7**	2,022	4,766
Interest payable and similar expenses	**8**	(48,467)	(60,195)
Profit before taxation		573,427	514,782
Taxation	**9**	(29,135)	55,037
Profit for the financial year		544,292	569,819
Total comprehensive income for the year		544,292	569,819

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

API SOFTWARE LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	**11**		27,987		45,029
Tangible assets	**12**		665,802		671,529
			693,789		716,558
Current assets					
Debtors	**13**	3,047,036		2,364,867	
Cash at bank and in hand		2,899,082		2,307,266	
		5,946,118		4,672,133	
Creditors: amounts falling due within one year	**14**	(4,088,993)		(3,095,706)	
Net current assets			1,857,125		1,576,427
Total assets less current liabilities			2,550,914		2,292,985
Creditors: amounts falling due after more than one year	**15**		(329,292)		(303,500)
Provisions for liabilities					
Deferred tax liability	**17**	51,862		64,017	
			(51,862)		(64,017)
Net assets			2,169,760		1,925,468
Capital and reserves					
Called up share capital	**19**		90		90
Profit and loss reserves			2,169,670		1,925,378
Total equity			2,169,760		1,925,468

The financial statements were approved by the board of directors and authorised for issue on 28 October 2021 and are signed on its behalf by:

K Bain
Director

Company Registration No. SC154934

API SOFTWARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 February 2019		90	1,955,559	1,955,649
Year ended 31 January 2020:				
Profit and total comprehensive income for the year		-	569,819	569,819
Dividends	**10**	-	(600,000)	(600,000)
Balance at 31 January 2020		90	1,925,378	1,925,468
Year ended 31 January 2021:				
Profit and total comprehensive income for the year		-	544,292	544,292
Dividends	**10**	-	(300,000)	(300,000)
Balance at 31 January 2021		90	2,169,670	2,169,760

API SOFTWARE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash generated from operations	**24**		1,125,714		1,713,170
Interest paid			(48,467)		(60,195)
Income taxes paid			-		(42,483)
Net cash inflow from operating activities			1,077,247		1,610,492
Investing activities					
Purchase of intangible assets		-		(50,300)	
Purchase of tangible fixed assets		(57,476)		(193,900)	
Receipts arising from loans made		-		7,945	
Interest received		2,022		4,766	
Net cash used in investing activities			(55,454)		(231,489)
Financing activities					
Payment of finance leases obligations		(129,977)		(70,230)	
Dividends paid		(300,000)		(600,000)	
Net cash used in financing activities			(429,977)		(670,230)
Net increase in cash and cash equivalents			591,816		708,773
Cash and cash equivalents at beginning of year			2,307,266		1,598,493
Cash and cash equivalents at end of year			2,899,082		2,307,266

1 Accounting policies

Company information

API Software Limited is a private company limited by shares incorporated in Scotland. The registered office is The Garment Factory, 10 Montrose Street, GLASGOW, G1 1RE.

1.1 Accounting convention

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 a mounts 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.

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.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of discounts, VAT and other sales related taxes.

Revenue allocable to subscriptions (hosted and non-hosted), customer support and maintenance is recognised on a straight line basis over the terms of the contract. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Sale of implementation services is recognised in the period the service is rendered to the customer.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Software	33% straight line

1.5 Tangible fixed assets

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

1 Accounting policies **(Continued)**

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

Leasehold improvements	20% Straight Line
Fixtures, fittings & equipment	20% Straight Line
Computer equipment	33% Straight Line

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 the profit and loss account.

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 the profit and loss account.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand.

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. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets 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 and loss account.

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 the profit and loss account.

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 certain creditors, are initially recognised at transaction price. 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.

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.

1 Accounting policies **(Continued)**

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.

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. 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 costs of short-term employee benefits are recognised as a liability and an expense.

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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants are recognised in accordance with the performance model. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1 Accounting policies **(Continued)**

1.15 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.

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.

Useful lives of tangible fixed assets

The directors must estimate the recoverable amounts and useful life of the company's tangible fixed assets. The directors the estimate a suitable rate of depreciation and apply this to the carrying value of the company's tangible fixed assets over their useful lives. The net book value of tangible fixed assets at 31 January 2021 was £665,802 (2020 - £671,529).

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021	2020
	£	£
Turnover analysed by class of business		
Licenses and services	9,041,854	8,257,458

	2021	2020
	£	£
Other significant revenue		
Interest income	2,022	4,766
Grants received	21,712	50,000

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Turnover analysed by geographical market		
UK	8,219,466	7,776,657
Europe	230,451	216,023
Rest of world	211,205	192,774
USA	380,732	72,004
	9,041,854	8,257,458

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2021 £	2020 £
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	31,617	9,842
Government grants	(21,712)	(50,000)
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	13,000
Depreciation of owned tangible fixed assets	264,631	151,764
Amortisation of intangible assets	17,042	5,271
Operating lease charges	276,799	270,899

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was 82 (2020 - 70).

	2021 Number	2020 Number
Average number of employees	82	70

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,513,790	4,189,682
Social security costs	506,293	465,278
Pension costs	151,408	132,971
	5,171,491	4,787,931

6 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	393,617	360,898
Company pension contributions to defined contribution schemes	12,487	11,398
	406,104	372,296

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021	2020
	£	£
Remuneration for qualifying services	185,560	155,576
Company pension contributions to defined contribution schemes	7,156	6,223

7 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	2,022	4,766

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	2,022	4,766

8 Interest payable and similar expenses

	2021	2020
	£	£
Other finance costs:		
Interest on finance leases and hire purchase contracts	48,467	60,195

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	41,290	(75,095)

9 Taxation **(Continued)**

	2021	2020
	£	£
Deferred tax		
Origination and reversal of timing differences	(19,686)	20,058
Changes in tax rates	7,531	-
Total deferred tax	(12,155)	20,058
Total tax charge/(credit)	29,135	(55,037)

The actual charge/(credit) 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:

	2021	2020
	£	£
Profit before taxation	573,427	514,782
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	108,951	97,809
Tax effect of expenses that are not deductible in determining taxable profit	1,890	-
Adjustments in respect of prior years	-	(73,223)
Research and development tax credit	(91,294)	(79,431)
Other permanent differences	-	(196)
Fixed asset differences	2,057	2,363
Deferred tax rate changes	7,531	(2,359)
Taxation charge/(credit) for the year	29,135	(55,037)

10 Dividends

	2021	2020
	£	£
Final paid	300,000	600,000

11 Intangible fixed assets

	Software
	£
Cost	
At 1 February 2020 and 31 January 2021	50,300
Amortisation and impairment	
At 1 February 2020	5,271
Amortisation charged for the year	17,042
At 31 January 2021	22,313
Carrying amount	
At 31 January 2021	27,987
At 31 January 2020	45,029

12 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 February 2020	450,051	187,185	341,945	979,181
Additions	201,428	4,732	52,744	258,904
Disposals	(53,449)	-	(102,447)	(155,896)
At 31 January 2021	598,030	191,917	292,242	1,082,189
Depreciation and impairment				
At 1 February 2020	112,397	38,775	156,480	307,652
Depreciation charged in the year	126,854	38,453	99,324	264,631
Eliminated in respect of disposals	(53,449)	-	(102,447)	(155,896)
At 31 January 2021	185,802	77,228	153,357	416,387
Carrying amount				
At 31 January 2021	412,228	114,689	138,885	665,802
At 31 January 2020	337,654	112,156	221,719	671,529

13 Debtors

	2021	2020
Amounts falling due within one year:	**£**	**£**
Trade debtors	2,017,410	1,473,120
Corporation tax recoverable	65,773	65,773
Other debtors	810,302	651,683
Prepayments and accrued income	153,551	174,291
	3,047,036	2,364,867

14 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	**£**
Obligations under finance leases	**16**	142,287	96,628
Trade creditors		282,137	315,704
Corporation tax		41,290	-
Other taxation and social security		874,087	477,446
Accruals		661,806	593,839
		2,001,607	1,483,617
Deferred income		2,087,386	1,612,089
		4,088,993	3,095,706

15 Creditors: amounts falling due after more than one year

	Notes	2021	2020
		£	**£**
Obligations under finance leases	**16**	329,292	303,500

Amounts under finance leases are secured on the assets to which they relate.

16 Finance lease obligations

Future minimum lease payments due under finance leases:	2021	2020
	£	**£**
Within one year	178,505	128,713
In two to five years	363,238	342,576
	541,743	471,289
Less: future finance charges	(70,164)	(71,161)
	471,579	400,128

16 Finance lease obligations **(Continued)**

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Deferred taxation

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

	Liabilities 2021	Liabilities 2020
Balances:	**£**	**£**
Accelerated capital allowances	51,862	64,017

	2021
Movements in the year:	**£**
Liability at 1 February 2020	64,017
Credit to profit or loss	(12,155)
Liability at 31 January 2021	51,862

The deferred tax asset set out above is not expected to reverse within 12 months and relates to accelerated capital allowances.

18 Retirement benefit schemes

	2021	2020
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	151,408	132,971

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.

19 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of £1 each	90	90	90	90

20 Operating lease commitments

Lessee

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:

	2021	2020
	£	£
Within one year	262,920	180,441
Between two and five years	1,051,680	1,051,680
In over five years	1,081,225	1,344,145
	2,395,825	2,576,266

21 Events after the reporting date

In February 2021, Scottish Equity Partners purchased shares in the company to support the future growth plans of the business. As a result of the successful completion of this transaction, transaction fees of £506,310 were incurred by the company. At the year end date, these fees were contingent on the deal being completed and as such have not been included in the results for the year to 31 January 2021.

22 Directors' transactions

Dividends totalling £230,000 (2020: £460,000) were paid to the company's directors.

Dividends of £70,000 (2020: £140,000) were paid to other parties during the year.

Loans to directors

The company has advanced interest free loans to the directors that are repayable on demand.
Details of these loans are as follows:

The directors' loans below were all repaid in February 2021.

Description	% Rate	Opening balance	Closing balance
		£	£
Director's loan	-	160,000	160,000
Director's loan	-	160,000	160,000
Director's loan	-	160,000	160,000
		480,000	480,000

23 Ultimate controlling party

As of February 2021, the company is controlled by Sep V LP, which has its registered office at 17 Blythswood Square, Glasgow, Scotland, G2 4AD.

At the year end, the company was controlled by the directors.

24 Cash generated from operations

	2021	2020
	£	£
Profit for the year after tax	544,292	569,819
Adjustments for:		
Taxation charged/(credited)	29,135	(55,037)
Finance costs	48,467	60,195
Investment income	(2,022)	(4,766)
Amortisation and impairment of intangible assets	17,042	5,271
Depreciation and impairment of tangible fixed assets	264,631	151,764
Movements in working capital:		
(Increase)/decrease in debtors	(682,169)	265,296
Increase in creditors	906,338	720,628
Cash generated from operations	1,125,714	1,713,170

25 Analysis of changes in net funds

	1 February 2020	Cash flows	New finance leases	31 January 2021
	£	£	£	£
Cash at bank and in hand	2,307,266	591,816	-	2,899,082
Obligations under finance leases	(400,128)	129,977	(201,428)	(471,579)
	1,907,138	721,793	(201,428)	2,427,503

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