

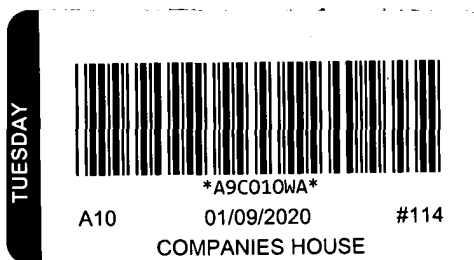
Sagacity Solutions Ltd

Directors' Report and Financial Statements

Year Ended

31 October 2019

Company Number 05526751



Sagacity Solutions Ltd

Company Information

Directors	Ms A Dougall Mr H Dougall Mrs M Townshend Mr P Gibson
Registered number	05526751
Registered office	55 Baker Street London United Kingdom W1U 7EU
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Sagacity Solutions Ltd

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Sagacity Solutions Ltd

Directors' Report For the Year Ended 31 October 2019

The directors present their report together with the audited financial statements for the year ended 31 October 2019.

Principal activity

The principal activity of the company is the provision of data solutions.

Directors

The directors who served during the year were:

Ms A Dougall
Mr H Dougall
Mrs M Townshend
Mr P Gibson (appointed 21 May 2019)
Mr R C Vivian (resigned 21 May 2019)

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Coronavirus

Subsequent to the 31 October 2019 the world has been struck by the Coronavirus pandemic and the situation continues to develop.

The directors are continually reviewing their plans and forecasts and believe that the going concern basis is appropriate for the company. The short term impact of COVID-19 has been relatively low in terms of revenue, and we have actively reduced our cost base due to negotiations with office providers and a review of technical operating costs.

Our main customers provide critical services and remain largely unaffected from a demand perspective, with the exception of customers in the hospitality sector. Sagacity has not been adversely affected by suppliers, with the key cost of sale being labour costs.

The main impact has been to collection rates as consumers find themselves in more difficult situations to keep up payments. The directors have taken a number of precautionary measures to reserve cash including utilising Government schemes including VAT deferral, furloughing of non-critical staff, non-payment of dividends, negotiations with office providers, billing our customers earlier than normal.

Sagacity Solutions Ltd

Directors' Report (continued) For the Year Ended 31 October 2019

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 24 August 2020 and signed on its behalf.



Mr H Dougall
Director

Sagacity Solutions Ltd

Directors' Responsibilities Statement For the Year Ended 31 October 2019

The directors are responsible for preparing the 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 of the profit or loss of the company for that period.

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

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

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

Sagacity Solutions Ltd

Independent Auditor's Report to the Members of Sagacity Solutions Ltd

Opinion

We have audited the financial statements of Sagacity Solutions Ltd ("the company") for the year ended 31 October 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and 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).

- give a true and fair view of the state of the company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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

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

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

Sagacity Solutions Ltd

Independent Auditor's Report to the Members of Sagacity Solutions Ltd (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Sagacity Solutions Ltd

Independent Auditor's Report to the Members of Sagacity Solutions Ltd (continued)

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.

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

Use of our report

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

BDO LLP

Tracey Keeble (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

26 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sagacity Solutions Ltd

Statement of Comprehensive Income For the Year Ended 31 October 2019

	Notes	2019 £	2018 £
Turnover		6,148,458	5,245,453
Cost of sales		(2,492,584)	(3,027,540)
Gross profit		3,655,874	2,217,913
Administrative expenses		(3,358,746)	(3,081,688)
Operating profit/(loss)		297,128	(863,775)
Interest receivable and similar income		3,911	1,876
Profit/(loss) before tax		301,039	(861,899)
Tax on profit/(loss)	5	(71,306)	5,887
Profit/(loss) for the year		229,733	(856,012)

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 10 to 24 form part of these financial statements.

Sagacity Solutions Ltd
Registered number:05526751

Statement of Financial Position
As at 31 October 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	7		1,015,242		1,203,905
Tangible assets	8		23,872		39,149
			<u>1,039,114</u>		<u>1,243,054</u>
Current assets					
Debtors: amounts falling due after more than one year	9	20,125			
Debtors: amounts falling due within one year	9	976,223		1,524,814	
Cash at bank and in hand		1,831,840		4,617,588	
Current liabilities		<u>2,828,188</u>		<u>6,142,402</u>	
Creditors: amounts falling due within one year	10	(683,672)		(805,653)	
Net current assets			<u>2,144,516</u>		<u>5,336,749</u>
Total assets less current liabilities			<u>3,183,630</u>		<u>6,579,803</u>
Provisions for liabilities					
Deferred tax	11		(391,488)		(358,206)
Net assets			<u><u>2,792,142</u></u>		<u><u>6,221,597</u></u>
Capital and reserves					
Called up share capital	12		32,250		32,250
Share premium account	13		1,797,750		1,797,750
Capital redemption reserve	13		30,000		30,000
Other reserves	13		93,239		52,427
Profit and loss account	13		838,903		4,309,170
Total equity			<u><u>2,792,142</u></u>		<u><u>6,221,597</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

24 August 2020



Mr H Dougall
Director

The notes on pages 10 to 24 form part of these financial statements.

Sagacity Solutions Ltd

Statement of Changes in Equity For the Year Ended 31 October 2019

	Called up share capital	Share premium account	Capital redemption reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 November 2018	32,250	1,797,750	30,000	52,427	4,309,170	6,221,597
Profit for the year	-	-	-	-	229,733	229,733
Total comprehensive loss for the year	-	-	-	-	229,733	229,733
Dividends: equity capital	-	-	-	-	(3,700,000)	(3,700,000)
Share based payment credit	-	-	-	40,812	-	40,812
Total transactions with owners	-	-	-	40,812	(3,700,000)	(3,659,188)
At 31 October 2019	32,250	1,797,750	30,000	93,239	838,903	2,792,142

Statement of Changes in Equity For the Year Ended 31 October 2018

	Called up share capital	Share premium account	Capital redemption reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 November 2017	32,250	1,797,750	30,000	38,266	5,165,182	7,063,448
Loss for the year	-	-	-	-	(856,012)	(856,012)
Total comprehensive income for the year	-	-	-	-	(856,012)	(856,012)
Share based payment credit	-	-	-	14,161	-	14,161
Total transactions with owners	-	-	-	14,161	-	14,161
At 31 October 2018	32,250	1,797,750	30,000	52,427	4,309,170	6,221,597

The notes on pages 10 to 24 form part of these financial statements.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

1. General information

Sagacity Solutions Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

These financial statements have been prepared under the going concern basis.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the company's financial condition, liquidity, and future results of operations. The directors are actively monitoring the impact of the global situation on the company's financial condition, liquidity, operations, customers, industry, and workforce. The COVID-19 outbreak has had an adverse impact on the global economy, but the directors note that the company has been largely unaffected by any adverse impact due to majority of its clients providing critical services.

The directors have taken actions to mitigate the potential impact of COVID-19 by implementing cost saving plans, including negotiating reduction in offices costs. In addition, the company has made use of the Governments' Coronavirus Job Retention Scheme and continues to closely monitor headcount. The directors have taken actions to mitigate the impact of COVID-19, which they consider are sufficient for the company to continue as a going concern for the foreseeable future.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

2. Accounting policies (continued)

2.3 Turnover

Turnover represents the value of work carried out during the accounting period, excluding value added tax.

Turnover in relation to fixed price contracts is recognised in accordance with FRS 102 guidance in respect of revenue. Profit in relation to these contracts is recognised based on an appropriate assessment of the contract completion stage and expected outcome.

Turnover in relation to time and material contracts is recognised as the time is incurred.

Turnover in relation to risk and reward contracts is recognised based on an appropriate assessment of the expected reward share on the individual project.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments received from clients.

2.4 Intangible assets

Development costs on the company's QTOX software and other infrastructure costs are capitalised to the extent that it is probable that the expected future economic benefits will flow to the entity. Development costs that are directly attributable to the design and testing of identifiable and unique QTOX software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual value over their estimated useful lives over a 5 year period.

Amortisation is included in cost of sales in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Plant and machinery	- 20 - 25% reducing balance
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

2. Accounting policies (continued)

2.8 Financial instruments (continued)

2.9 Creditors

Short term creditors are measured at the transaction price.

2.10 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.11 Dividends

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

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

2. Accounting policies (continued)

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

2.13 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.14 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- The company applies its policies on turnover and contracts when recognising revenue and profit on partially completed contracts. The application of this policy required judgements to be made in respect of the total expected costs to complete and the profit margin achievable on each contract. The company has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

4. Employees

The average monthly number of employees, including directors, during the year was 44 (2018 -50).

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

5. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	101,189	-
Adjustments in respect of previous periods	(63,165)	(181,853)
Total current tax	38,024	(181,853)
Deferred tax		
Origination and reversal of timing differences	31,058	70,211
Adjustments in respect of prior periods	2,224	105,755
Total deferred tax	33,282	175,966
Taxation on profit/(loss) on ordinary activities	71,306	(5,887)

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

5. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Profit/(loss) on ordinary activities before tax	301,039	(861,899)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	57,197	(163,761)
Effects of:		
Expenses not deductible for tax purposes	3,603	14,321
Ineligible amortisation and depreciation	72,464	77,716
Losses carried back	-	155,731
Adjustments to tax charge in respect of previous periods	(60,941)	(76,098)
Timing differences not recognised in the computation	(2,691)	(5,276)
Adjust deferred tax to average rate of 19.00%	(3,653)	(8,520)
Other differences leading to an increase (decrease) in the tax charge	5,327	-
Total tax charge for the year	71,306	(5,887)

Factors that may affect future tax charges

Increases in the UK corporation tax rate from 17.00% (17.00% effective from April 2020) to 19.00% have been announced by the UK Government but not substantively enacted at the statement of financial position date. This will impact the company's future tax charge accordingly.

Deferred tax rate changes arise because the current UK corporation tax rate of 19.00% differs from the enacted rate of 17.00% and movements in forecast timings of reversals impact the tax rate applied

6. Dividends

	2019 £	2018 £
Final proposed for the year of £1.1472868 per share	3,700,000	-
	3,700,000	-

On 26 November 2019 the directors proposed and subsequently paid a dividend of £800,000. The dividend has not been accrued for as the dividend was declared after the balance sheet date.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

7. Intangible assets

	QTOX software £
Cost	
At 1 November 2018	2,744,060
Additions	214,172
At 31 October 2019	<u>2,958,232</u>
Amortisation	
At 1 November 2018	1,540,155
Charge for the year	402,835
At 31 October 2019	<u>1,942,990</u>
Net book value	
At 31 October 2019	<u><u>1,015,242</u></u>
At 31 October 2018	<u><u>1,203,905</u></u>

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

8. Tangible fixed assets

	Plant and machinery £
Cost	
At 1 November 2018	89,392
Additions	4,956
Disposals	(3,604)
At 31 October 2019	90,744
Depreciation	
At 1 November 2018	50,243
Charge for the year	19,793
Disposals	(3,164)
At 31 October 2019	66,872
Net book value	
At 31 October 2019	23,872
At 31 October 2018	39,149

9. Debtors: amounts falling due within one year

	2019 £	2018 £
Due after more than one year		
Prepayments and accrued income	20,125	-
	20,125	-
Due within one year		
Trade debtors	865,913	986,682
Prepayments	28,872	47,206
Amounts recoverable on long term contracts	81,438	122,639
Tax recoverable	-	368,287
	976,223	1,524,814

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

9. Debtors: amounts falling due within one year (continued)

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2018 - £80,000).

10. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	150,717	141,343
Corporation tax	41,312	-
Other taxation and social security	222,594	214,304
Payments on accounts	43,572	230,825
Other creditors	11,279	8,271
Accruals	214,198	210,910
	<u>683,672</u>	<u>805,653</u>

11. Deferred taxation

	2019 £
At 1 November 2018	358,206
Charged to statement of comprehensive income	(33,282)
At 31 October 2019	<u>391,488</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Origination and reversal of timing differences	403,755	370,098
Short term timing differences	(12,267)	(11,892)
	<u>391,488</u>	<u>358,206</u>

12. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

12. Share capital (continued)

32,250 ordinary shares of £1 each	32,250	32,250
	<u> </u>	<u> </u>

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13. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Share based payment reserve

This reserve contains the cumulative value of share options that have not yet vested.

Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

Profit and loss account

This reserve records the cumulative distributable reserves of the entity, net of dividends paid and other adjustments.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

14. Share based payments

Share based payment for employee;

Sagacity Solutions Limited operates an equity-settled share based remuneration scheme for employees. All UK employees are eligible to participate in the long term incentive scheme by invitation of the directors only, the only vesting condition being that the individual continues to be an employee of the company at the time of an 'exit event' during the period of 10 years from grant date.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	9,207	1,905	8,993	1,110
Granted during the year	-	-	9,404	994
Forfeited during the year	-9404	-254	8,993	-199
£	9177	1651	9,207	1,905

The exercise price of options outstanding at the end of the year ranged between £800 and £850 (2018 - £800 - £850) and their weighted average contractual life was 5 years (2018 - 5 years).

The options granted in the year have been valued by management using a three-model approach and taking the mean average of the three valuations computed. This was considered a materially accurate estimate of the fair value of the options granted. The models used are:

- (i) Black-Scholes model with short-term volatility
- (ii) Black-Scholes model with longer-term volatility
- (iii) Empirical model based on current actual observed valuations on the London Stock Exchange

The short-term volatility assumption of 26.33%, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three months of comparable publicly quoted companies.

The longer-term volatility assumption of 46.04% has been computed as the maximum data volatility within the five year vesting period.

The Empirical model is based on a 3.7% discount to the lower volatility Black Scholes valuation.

The valuation was performed on the basis that options would be exercised when the company's valuation reached £50m within the 5 year vesting period. The likelihood of the company's valuation rising to £50m during the five year vesting period was calculated using the mean of the two historic volatilities and the implied volatility of the Empirical model.

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

14. Share based payments (continued)

The share-based remuneration expense comprises:

	2019 £	2018 £
Equity-settled schemes	<u>28,079</u>	<u>14,161</u>

Share based payment for others;

Sagacity Solutions Limited operates an equity-settled share based remuneration scheme for parties other than employees. Individuals are eligible to participate in the long term incentive scheme by invitation of the directors only, the only vesting condition being that the individual continues to provide services to the company at the time of an 'exit event' during the period of 10 years from grant date.

The exercise price of options outstanding at the end of the year was £850 (2018 - £850) and their weighted average contractual life was 5 years (2018 - 5 years).

During the prior year 677 shares with a weighted average price of 9,404 pence were granted. These have been valued on the same basis as those granted to employees during the year.

The y share-based remuneration expense recognised in relation to these shares during the current year was £12,490 (2018 - £Nil).

15. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £90,318 (2018 - £85,989). Contributions totalling £11,279 (2018 - £8,271) were payable to the fund at the reporting date and are included in creditors.

16. Commitments under operating leases

At 31 October 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	225,434	237,867
Later than 1 year and not later than 5 years	277,333	80,593
	<u>502,767</u>	<u>318,460</u>

Sagacity Solutions Ltd

Notes to the Financial Statements For the Year Ended 31 October 2019

17. Related party transactions

MXC Capital Markets LLP

A company in which has a common director to Sagacity Solutions Limited.

During the year, MXC Capital Markets LLP provided consultancy services to Sagacity Solutions Limited for £30,000 (2018 - £25,000) and recharged expenses of £Nil (2018 - £Nil).

At the year end, a balance of £2,500 (2018 - £2,500) was owed to the MXC Capital Markets Limited.

Transactions with directors

The total remuneration received by directors for services to the company for the year ended 31 October 2019 is £952,284 (2018 - £908,722).

18. Post balance sheet events

In relation to Covid-19 (Coronavirus), the Covid-19 outbreak has been treated as a non-adjusting post balance sheet event. At 31 October 2019, Covid-19 was not a known disease and there had been no cases of it. The overall impact of the pandemic on the company is uncertain at this stage.

19. Controlling party

At the statement of financial position date, due to the composition of shareholders the entity had no identifiable controlling party.