

THE LOGIC GROUP ENTERPRISES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business review and principal activities

The principal activities of The Logic Group Enterprises limited are focused on the provision of IT services, products and solutions associated with assisting organisations to enhance the effectiveness, security and profitability of their customer interactions. The Company specialises in the provision of secure payment and loyalty solutions that enable opportunities for increased revenue and reduced operating cost and risk. Activities include; focus on Research and Development, which ensures the Company provides industry leading solutions and forms part of one or more of the Consulting, Software solutions or Managed services revenue streams.

Business performance

The Company made a profit before tax of £5,047,452 in the year (2019 loss before tax: £1,693,193), focusing on strong sustainable revenues and cost control and delivering efficiencies. The Company has continued its investment in infrastructure to position the Company as a market leading gateway solution and to provide a secure and resilient service for new and existing clients:

- Revenue has increased by 51% year on year to £26,976,906 (2019: £17,831,338), mainly driven by an increase in income due to a Commercial intra-group agreement entered into between Barclays Bank PLC and the Company wherein the Company shall continue to supply on an exclusive basis, except as otherwise agreed with Barclays Bank PLC, the products and capabilities inherent in Smartpay S. Under the new agreement, the parties have agreed to a fixed payment of £15m per annum for use of the Smartpay S product and associated gateway services on an annual basis, prorated where relevant. The annual charges shall be reviewed periodically and any change will be documented through the change order process.
- Admin expenses have increased by 9% year on year basis to £14,699,788 (2019: £13,440,678), mainly driven by an increase in the amount of maintenance expense on property, plant & equipment during the year.

As a result of the funding model agreed with Barclays Bank PLC, as at 31 December 2020 the Company has net current asset of £7,991,321 (net current liability in 2019: £15,839,189) and net asset of £15,258,781 (net liability in 2019: £9,398,931). Net cash outflow from operating activities for 2020 was £5,825,798 (net cash inflow from operating activities in 2019: £5,802,849).

The Company has continued to attract orders from clients who place importance on e-commerce and omni-channel access for their end customers to buy their goods and services. Increasingly organisations are looking for payment services that make it easy for their customers to pay for goods and services through whatever method they want (e.g. debit/credit card, corporate card), through any channel (e.g. internet, in store, over the phone), through any device (e.g. mobile phone, tablet) and value the visibility of their client interactions across these dimensions through information which the Company is able to make available.

The Company has successfully retained its PCI accreditation, having completed the highest level of PCI DSS compliance, v3.2.

Future outlook

The Company intends to continue to focus on the provision of managed payment services to organisations, leveraging both its existing client base and winning new clients. During 2020, under Barclays PLC ownership, the Company has continued to make significant investment enhancing its capabilities, and allowing the Company to be more reactive to the changes in its clients' businesses, this will continue into 2021.

Entering 2021 confidence levels were higher than a year ago. Since that point the outbreak of COVID 19 has materialised and while the full impact on the business is to be quantified the current focus is to continue to support our customers through this unprecedented period.

The Directors remain confident that the Company will maintain its current level of performance in the future.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The Company is exposed to internal and external risks of ongoing activities. These risks are managed as part of the Company's business model.

Whilst the full direct and indirect impact of the ongoing COVID-19 outbreak remains uncertain, a number of central banks and governments have extended financial stimulus packages as a result of the significant negative impact on GDP. Concerns remain as to whether these policy tools will counter anticipated macroeconomic risks and a prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries. In addition, an escalation in geopolitical tensions or increased use of protectionist measures may also negatively impact the Company's business.

The financial risk management objectives and policies at the Company level, including exposure to interest rate risk, liquidity risk and credit risk are set out in note 18. Financial risks, of the accompanying financial statements. The Company also actively manages key non-financial risks, which are mainly operational risks, through its internal governance structure.

Key performance indicators

The Company has continued to make progress during the year on its objectives and business strategy. The Board of Directors monitors progress on the overall strategy by reference to the following key performance indicators which performed in line with expectations:

	2020	2019
	£	£
Revenue	26,976,906	17,831,338
Recurring revenue included within revenue	25,701,006	15,511,488
Revenue per head	173,970	125,573
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	7,391,831	(152,589)
Debtor days	61	50

People

The Company utilised the services of an average number of 155 staff in 2020 (2019: 142) and the recruitment, retention and development of its people are essential for the effective and sustainable growth of the business. Staff are employed by the immediate parent company The Logic Group Holdings Limited.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of Section 172(1) of the Companies Act 2006

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members, and in doing so had regard, amongst other matters, to:

- the likely consequences 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's maintaining a reputation for high standards of business conduct; and
- to act fairly between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our regulator, the Government, and non-government organisations.

Considering this broad range of interests is an important part of the way the Board makes decisions; however, in balancing those different perspectives it won't always be possible to deliver everyone's desired outcome.

How does the board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

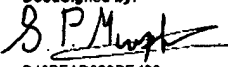
In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays group.

The Board considers and discusses information from across the organisation to help it understand the impact of Barclays' operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the board through reports sent in advance of each board meeting, and through in-person presentations.

As a result of these activities, the board has an overview of engagement with stakeholders, and other relevant factors, which enables the directors to comply with their legal duty under section 172 of the Companies Act 2006.

Due to the nature of the Company, no decisions were made by the Directors during the reporting period which required them to have regard to the matters set out in section 172 of the Companies Act 2006.

FOR AND ON BEHALF OF THE BOARD.

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Simon Murphy
Director

Date: 17 June 2021

Company number 2609323