

Demica Limited

Annual report and financial statements

Registered number 02492599

31 December 2020



Contents

Strategic Report	1 - 3
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor report to the members of Demica Limited	6 - 9
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12 - 13
Cash Flow Statement	14
Notes	15 - 33

Strategic Report

Principal Activities

Demica is a recognised leader in providing working capital solutions to large multinationals and global banks. Demica uniquely offers both receivables and payables programmes through its proven end-to-end technology platform with over 15 years' of experience. Purchased by a group of private equity investors in 2014, Demica has transformed its technology offering by adding financing and structuring capabilities. During the past five years, Demica has built a rapidly growing Software-As-A-Service ("SaaS") platform to manage working capital for over 500 large corporate multinationals financed by 45 global financial institutions. During this time the company has grown funded programmes from US\$3bn to US\$16bn, established a commercial presence across Europe and North America and expanded its development centres in UK, India and Poland. Demica works with multinational clients all over the world, across jurisdictions, industries and sectors, requiring facilities of US\$50m to US\$3bn.

Demica Limited works with Demica Finance Limited to offer a complete end-to-end working capital solution.

Business Review and Future Developments

During 2020, the company continued to invest substantially in the development of its proprietary technology platform as well as expanding its implementation and operations teams as transaction volumes increased. This investment translated into both industry recognition and new client acquisition during 2020 with notable successes including:

- Winning HSBC, BBVA and Lloyds Bank, amongst others, as clients to whitelist the Demica Platform
- Successfully implementing a multi-billion dollar receivable finance transactions for a major European bank financing a Fortune 50 client
- Winning 'Best Fintech Disrupter' award in the GTR Leaders in Trade Awards 2020.

The Covid-19 crisis required the business to switch to fully remote working in March 2020. Rigorous business continuity planning and a fully cloud-based infrastructure meant the company seamlessly transitioned overnight to a virtual office model with no impact to our clients.

As a SaaS platform, Demica's business model is to pay for all product development & platform enhancements requested by new customers that will benefit our broader customer base. We also offer a comprehensive range of professional services to help clients go live at a below cost basis. While this strategy led to the company incurring a pre-tax losses of £6.2m in 2020, it ensures one off implementation costs for each client are kept to a minimum to facilitate customer acquisition and maximises the long term recurring revenue we earn from each client's usage of the platform.

Going Concern

In March 2021 existing shareholders agreed to invest a further US\$15.5 million in Demica in three equal tranches in 2021.

Notwithstanding a loss for the year then ended of £5,554,099 and operating cash outflows for the year of £2,995,504 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors of the intermediate parent company, Demica Holdings Limited, have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its existing cash balances and funding from its intermediate parent company, Demica Holdings Limited, to meet its liabilities as they fall due for that period.

Those consolidated forecasts are dependent on Demica Holdings Limited providing additional financial support during that period. Demica Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements ("the going concern period") and therefore have prepared the financial statements on a going concern basis.

Key Performance Indicators

The key performance indicators for the company are:

- Profit before tax: Loss of £6,225,621 was achieved in 2020 compared with £7,719,572 loss in 2019.
- Revenue: £11,073,611, an increase of 5% compared with 2019.

Principal Risks and Uncertainties

All identified risks are monitored and addressed by senior management on a regular basis.

Business Risks

Demica is exposed to a number of business risks, including the possible loss of customers or staff. These are mitigated by an excellent SLA record and low levels of regretted staff turnover due to our positive working environment and commitment to reward performance.

Operational Risks

Demica has a number of operational risks which are reduced by segregation of duties, four-eyes procedures and the maintenance of appropriate information security systems, evidenced by maintaining ISO27001 certification and an annual ISAE 3402 (Type 2) audit.

Cash flow Risks

The main risk to Demica's cash flow is changes in foreign currency exchange rates. This is mitigated by the payment of a number of suppliers in foreign currency, specifically Euro.

Credit Risks

Demica's main credit risk is attributable to its trade receivables. The credit risk on liquid funds is low because counterparty banks have high credit ratings assigned by international credit-rating agencies. Demica has no significant concentration of credit exposure, as exposure is spread over a number of counterparties and customers.

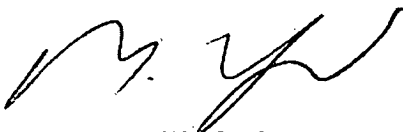
Liquidity Risks

Demica ensures that sufficient funds are available for ongoing operations and commitments, by maintaining adequate balances, with financial support from its Shareholders.

Coronavirus

Demica faces risk as a result of Coronavirus, as this will impact employees, customers and markets, to an unknown extent. The impact on staff is reduced by business continuity planning and robust technology infrastructure. Although the credit rating of customers and the volumes of receivables will be impacted, the expectation is that Demica will see a significant number of new opportunities given companies need for low cost, committed working capital finance. The products that Demica focuses on, such as trade receivable securitisation, have a long track record of excellent credit performance during periods of recession and market volatility and hence we expect banks to continue to finance large multinationals using these structures even when their appetite for underwriting high yield debt or cashflow lending will be reduced.

By order of the board



Matthew Wreford
Director

28th September 2021

Directors' report

Research and development

The company undertakes research and development in connection with its principal activity. During 2020, development costs of £3,097,784 (2019: £2,008,157) were capitalised.

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

Directors

The directors who held office during the year were as follows:

Matthew Wreford

Roger Nagioff

Andrew Ryan

Diego Palacios (appointed 14th June 2021)

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

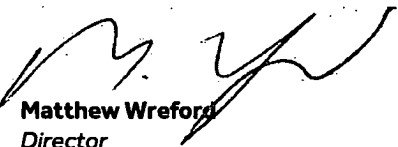
Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Matthew Wreford
Director

Bow Bells House
London EC4M 9BE
28th September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DEMICA LIMITED

Opinion

We have audited the financial statements of Demica Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Independent auditor's report to the members of Demica Limited (*Continued*)

- Enquiring of directors and management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading board minutes
- Considering remuneration incentive schemes and performance targets for management
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we carry out procedures to address the risk of management override of controls and risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account pairings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment laws recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent auditor's report to the members of Demica Limited (Continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Demica Limited (Continued)

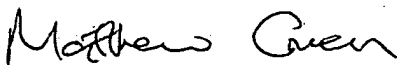
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew RE Green (Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

28th September 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 31st December 2020

	Note	2020	2019
		£	£
Turnover	2	11,073,611	10,584,612
Cost of sales		(10,058,311)	(9,222,950)
Gross profit		1,015,300	1,361,662
Distribution costs		(3,155,308)	(3,554,059)
Administrative expenses		(3,892,686)	(5,442,995)
Bad debt expense		(100,907)	(30,941)
Operating loss		(6,133,601)	(7,666,333)
Interest receivable and similar income	5	6,517	6,487
Interest payable and similar charges	6	(98,537)	(59,726)
Loss before taxation		(6,225,621)	(7,719,572)
Tax credit on loss	7	671,522	682,193
Loss for the year		(5,554,099)	(7,037,379)

The notes on pages 15 to 33 form an integral part of these financial statements.

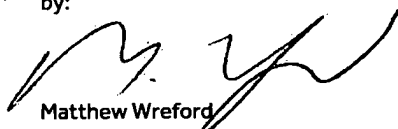
There was no other comprehensive income for either period other than the loss for the year, the whole of which has been derived from continuing activities.

Balance Sheet
At 31st December 2020

	Note	2020		2019	
		€	€	€	€
Fixed assets					
Intangible Assets	8	6,145,063		3,390,541	
Tangible assets	9	658,308		756,693	
			6,803,371		4,147,234
Current assets					
Debtors (including £232,230 (2019: £842,114) due after more than one year)	10	4,134,550		4,158,281	
Cash at bank and in hand	11	6,348,126		2,027,139	
			10,482,676		6,185,420
Creditors: amounts falling due within one year	12	(5,481,258)		(3,916,026)	
Net current assets			5,001,418		2,269,394
Total assets less current liabilities			11,804,789		6,416,628
Creditors: amounts falling due after more than one year					
Provisions for liabilities	13	(117,335)		(117,335)	
Net assets			11,687,454		6,299,293
Capital and reserves					
Called up share capital	16		101,193		100,930
Share premium account	16		36,249,095		25,749,358
Other reserves	16		279,909		279,909
Profit and loss account			(24,942,743)		(19,830,904)
Shareholders' funds			11,687,454		6,299,293

The notes on pages 15 to 33 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 28th September 2021 and were signed on its behalf by:


Matthew Wreford
Director
Company registered number: 02492599

Statement of Changes in Equity

	Called up Share Capital	Share Premium account	Capital Contribution reserve	Profit and Loss Account	Total Equity
	€	€	€	€	€
Balance at 1 January 2020	100,930	25,749,358	279,909	(19,830,904)	6,299,293
Loss for the year	-	-	-	(5,554,099)	(5,554,099)
Total comprehensive income for the period	-	-	-	(5,554,099)	(5,554,099)
Transactions with owners, recorded directly in equity					
Issue of shares	263	10,499,737	-	-	10,500,000
Equity-settled share-based payment transactions	-	-	-	442,260	442,260
Total contributions by and distributions to owners	263	10,499,737	-	442,260	10,942,260
Balance at 31 December 2020	101,193	36,249,095	279,909	(24,942,743)	11,687,454

The notes on pages 15 to 33 form an integral part of these financial statements.

10,550,000
 10,550,000
 10,550,000

10,549,736

10,550,000
Demica Limited
 Annual report and financial statements
 31 December 2020

Statement of Changes in Equity

	Called up Share Capital	Share Premium account	Capital Contribution reserve	Profit and Loss Account	Total Equity
	£	£	£	£	£
Balance at 1 January 2019	100,666	15,199,622	279,909	(13,644,584)	1,935,613
Loss for the year	-	-	-	(7,037,379)	(7,037,379)
Total comprehensive income for the period	-	-	-	(7,037,379)	(7,037,379)
Transactions with owners, recorded directly in equity					
Issue of shares	264	10,549,736	-	-	10,550,000
Equity-settled share-based payment transactions	-	-	-	851,059	851,059
Total contributions by and distributions to owners	264	10,549,736	-	851,059	11,401,059
Balance at 31 December 2019	100,930	25,749,358	279,909	(19,830,904)	6,299,293

The notes on pages 15 to 33 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31st December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(5,554,099)	(7,037,379)
Adjustments for:			
Depreciation and amortisation		543,903	352,045
Foreign exchange losses		(108,551)	(8,277)
Gain/(loss) on sale of fixed assets		-	4,126
Interest receivable		(6,517)	(6,487)
Interest payable		98,537	59,726
Equity settled share-based payment expenses		442,260	851,059
Decrease/(Increase) in trade and other debtors		203,656	(771,233)
Increase/(Decrease) in trade and other creditors		1,565,232	(27,406)
R&D tax credit payment received		491,597	233,297
R&D expenditure credit		(671,522)	(682,193)
Net cash (used in) operating activities		(2,995,504)	(7,032,722)
Cash flows from investing activities			
Interest Payable		(3,658)	-
Interest received	5	6,517	6,487
Acquisition of tangible fixed assets	9	(90,084)	(621,371)
Capitalised development expenditure	8	(3,097,784)	(2,008,157)
Acquisition of other intangible assets		(12,172)	(82,620)
Net cash (used in) investing activities		(3,197,181)	(2,705,661)
Cash flows from financing activities			
Proceeds from the issue of share capital	16	10,500,000	10,550,000
Net cash from financing activities		10,500,000	10,550,000
Net increase in cash and cash equivalents		4,307,315	811,617
Cash and cash equivalents at 1 January		2,027,139	1,266,971
Effect of exchange rate fluctuations on cash held		13,672	(51,449)
Cash and cash equivalents at 31 December	11	6,348,126	2,027,139

The notes on pages 15 to 33 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Demica Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The company number is 02492599 and the registered office is at Bow Bells House, 1 Bread Street, London EC4M 9BE.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding a loss for the year then ended of £5,554,099 and operating cash outflows for the year of £2,995,504 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors of the intermediate parent Company, Demica Holdings Limited, have prepared cash flow forecasts upto 31 December 2022 which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its existing cash balances and funding from its intermediate parent company, Demica Holdings Limited, to meet its liabilities as they fall due for that period.

Those consolidated forecasts are dependent on Demica Holdings Limited providing additional financial support to the Company during that period. Demica Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements ("the going concern period") and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1. Accounting policies (continued)

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- leasehold property over the remaining term of the lease
- computer and office equipment 33% per annum
- fixtures and fittings 15% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1. Accounting policies (continued)

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Website and branding 50% per annum
- user interfaces 50% per annum
- software 33% per annum
- supplier onboarding tool 50% per annum
- other platform interfaces 14% per annum

The basis for choosing these useful lives is to write off the cost of the intangible assets on a straight-line basis over the expected useful economic lives if the assets concerned.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes (continued)

1. Accounting policies (continued)

1.7 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1. Accounting policies (continued)

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

The Demica Management Equity Plan allows selected employees to acquire shares of Demica Jersey Limited, a Group holding company. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares granted is measured using a PWERM model and taking into consideration recent funding rounds. This model estimates the fair value of shares based on analysis of future values for the company assuming various future outcomes. Share value is based on the probability-weighted present value of the expected future investment returns, considering each of the possible outcomes available to the company, as well as the rights of each share class, taking in to account the terms and conditions upon which the shares were granted.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied, as follows:

Services revenue

Services revenue is recognised in the profit and loss account over the period during which the work is carried out. Any balance not relating to the accounting period is carried forward as deferred income in the balance sheet.

Notes (continued)

1. Accounting policies (continued)

1.10 Turnover (continued)

Licence revenue

Licence revenue consists of licence fees received under the terms of licence agreements with customers to enable them to use the Company's intellectual property, which is customised to each customer's specific requirements. In general the time between the signing of a licence and final customer acceptance is between three and twelve months with most time allocated to the period between delivery and acceptance of the technology. Delivery generally occurs within a short time period after signing. Fees are payable upon completion of agreed upon milestones.

Where customisation is required post installation, revenues from initial licence fees are recognised based on the percentage to completion method over the period from signing of the licence through to customer acceptance. Initial licence fees are recognised using the percentage of completion method as software requires significant modification or customisation. The amount of revenue recognised is based on the total licence fees under the licence agreement and the percentage to completion achieved. The percentage to completion is measured by monitoring progress using records of actual time incurred to date in the project compared to the total estimated project requirement, which corresponds to the costs related to earned revenues. Estimates of total project requirements are based on prior experience of customisation, delivery and acceptance of the same or similar technology and are reviewed and updated regularly by management. After delivery, if uncertainty exists about customer acceptance of the software, licence revenue would not be recognised until acceptance. Under the percentage to completion method, provisions for estimated losses on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined.

The Company believes that the use of the percentage of completion method is appropriate as the Company has the ability to make reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. In addition, contracts executed include provisions that clearly specify the enforceable rights regarding services to be provided and received by the parties to the contracts, the consideration to be exchanged and the manner and terms of settlement. In all cases the Company expects to perform its contractual obligations and its licences are expected to satisfy their obligations under the contract.

The excess of licence fees received over revenue recognised in respect of such fees is recorded as deferred revenue. Where delivery is final upon installation and does not require significant modification or customisation, the revenue from the contract is recognised provided persuasive evidence of the arrangement exists, delivery has occurred, the vendor's fee is fixed on determinable and collectability is probable.

Maintenance revenue

Maintenance revenue is recognised in the profit and loss account over the period to which it relates. Any balance not relating to the accounting period is carried forward as deferred income in the balance sheet

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1. Accounting policies (continued)

1.12 Interest

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

Notes (continued)

2 Turnover

	2020	2019
	€	€
Rendering of services	11,073,611	10,584,612
Total turnover	11,073,611	10,584,612
By geographical market		
UK	1,616,082	2,292,264
Rest of Europe	7,778,034	6,193,077
Rest of the world	1,679,495	2,099,271
	11,073,611	10,584,612

3 Expenses and auditor's remuneration

Included in profit and loss are the following:

	2020	2019
	€	€
Operating lease expenses	387,541	479,005
Depreciation on tangible fixed assets	188,469	114,060
Amortisation on intangible fixed assets	355,434	237,985

Auditor's remuneration:

	2020	2019
	€	€
Audit of these financial statements	35,500	30,000
Disclosures below based on amounts receivable in respect of other services to the company		
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	7,000	27,450

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Distribution	16	17
Operations & Administration	89	77
	105	94

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	8,886,859	9,301,142
Share based payments (see note 15)	442,260	851,059
Social security costs	1,081,164	1,167,683
Contributions to defined contribution plans	747,392	687,496
	11,157,675	12,007,380

Directors' remuneration

	2020	2019
	£	£
Directors' remuneration	701,375	475,079
Share based payments	131,995	340,944
Contributions to defined contribution plans	20,000	12,963
	853,369	828,986

The aggregate of remuneration of the highest paid director was £351,375 (2019: £403,417), and company pension contributions of £10,000 (2019: £9,622) were made to a money purchase scheme on his behalf. Share options of £99,712 (2019: 296,107) were issued to the highest paid director. The aggregate remuneration of the remaining director was £350,000 (2019: £71,662), and company pension contributions of £10,000 (2019: £3,341). Share options of £32,283 (2019: £44,837) were issued to the remaining director in the period.

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	2	2

Notes (continued)

5 Interest receivable and similar income

	2020	2019
	£	£
Net interest income	6,517	6,487
Total interest receivable and similar income	6,517	6,487

Interest receivable and similar income includes income from group undertakings of £Nil (2019: £Nil).

6 Interest payable and similar charges

	2020	2019
	£	£
Net foreign exchange loss	94,879	59,726
Net interest payable	3,658	-
Total other interest payable and similar charges	98,537	59,726

7 Taxation

	2020		2019	
	£	£	£	£
<i>Current tax</i>				
Current tax on income for the period	(671,522)		(435,315)	
Adjustments in respect of prior periods	-		(246,878)	
Total current tax	(671,522)		(682,193)	
<i>Deferred tax</i>				
Total deferred tax	-		-	
Total tax		(671,522)		(682,193)

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2020	2019
	£	£
Loss for the year	(5,554,099)	(7,037,379)
Total corporation tax credit	(671,522)	(682,193)
Loss excluding taxation	(6,225,621)	(7,719,572)
Tax using the UK corporation tax rate of 19%	(1,182,868)	(1,466,719)
Expenses not deductible for tax purposes	84,030	161,721
R&D enhancement	(497,349)	(322,409)
Losses surrendered (R&D)	208,403	135,099
Net capital allowance movement not recognised	(279,235)	(181,119)
Unrecognised tax losses	995,497	1,238,132
Prior year adjustment relating to R&D tax claim	-	(246,898)
Total tax credit included in profit or loss	(671,522)	(682,193)

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. The company has tax losses available for offset against future profits. The unrecognised deferred tax assets is approximately £6,915,947 (2019: £5,920,450). This has not been recognised due to uncertainty over when it might be realised.

Notes (continued)

8 Intangible assets

	Software	User Interfaces	Supplier Onboarding Tool	Development Costs	Website	Total
	£	£	£	£	£	£
Cost						
Balance at 1 January 2020	180,312	426,531	441,436	3,216,852	25,441	4,290,572
Additions	12,172	65,368	-	3,032,416	-	3,109,956
Transfers	-	1,992,735	-	(1,992,735)	-	-
Balance at 31 December 2020	192,484	2,484,634	441,436	4,256,533	25,441	7,400,528
Amortisation						
Balance at 1 January 2020	115,354	426,531	355,601	-	2,545	900,031
Amortisation for the year	19,499	245,012	85,835	-	5,088	355,434
Balance at 31 December 2020	134,853	671,543	441,436	-	7,633	1,255,465
Net book value						
At 31 December 2020	57,631	1,813,091	-	4,256,533	17,808	6,145,063
At 1 January 2020	64,958	-	85,835	3,216,852	22,896	3,390,541

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Development costs relating to the Trade Receivable Finance Back End of £1,048,500 (2019: £900,539), the Trade Receivable Finance User Interfaces of £65,368 (2019: £966,025), the TRF Liability Calculation Engine of £488,524 (2019: £141,593) and Invoice Discounting of £1,495,392 (2019: £Nil) have been capitalised within intangible assets. The development costs brought forward at the start of the year of £1,992,735 relating to Trade Receivable Finance User Interfaces have been transferred from Development costs to User Interfaces following completion of development work.

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	2020 £	2019 £
Cost of sales	350,346	235,440
Distribution	5,088	2,545
	355,434	237,985

Notes (continued)

9 Tangible fixed assets

	Computer Equipment £	Fixtures & fittings £	Total £
Cost			
Balance at 1 January 2020	174,998	716,611	891,609
Additions	39,061	51,023	90,084
Disposals	-	-	-
 Balance at 31 December 2020	 214,059	 767,634	 981,693
Depreciation			
Balance at 1 January 2020	63,085	71,831	134,916
Depreciation charge for the year	49,354	139,115	188,469
On Disposals	-	-	-
 Balance at 31 December 2020	 112,439	 210,946	 323,385
Net book value			
At 31 December 2020	101,620	556,688	658,308
 At 1 January 2020	 111,913	 644,780	 756,693

10 Debtors

	2020 £	2019 £
Trade debtors	2,018,082	2,140,115
Amounts owed by other Group companies	156,255	181,348
Other debtors	283,113	554,688
Research and development expenditure credit	1,106,812	926,887
Prepayments and accrued income	570,288	355,243
	4,134,550	4,158,281
 Due within one year	 3,902,320	 3,316,167
Due after more than one year	232,230	842,114
	4,134,550	4,158,281

Amounts owed by other Group companies are repayable on demand.

11 Cash and cash equivalents/ bank overdrafts

	2020 £	2019 £
Cash at bank and in hand	6,348,126	2,027,139

Notes (continued)

12 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	578,911	419,727
Taxation and social security	1,995,244	323,738
Other creditors	276	276
Accruals and deferred income	2,906,827	3,172,285
	5,481,258	3,916,026

13 Provisions

	2020	2019
	£	£
Balance at 1 January	117,335	-
Provisions made during the year	-	117,335
Provisions used during the year	-	-
Provisions reversed during the year	-	-
	117,335	117,335

A provision of £117,335 was made during 2019 in respect of a contractual dilapidation payment that will be required at the end of the Bow Bells House lease in 2024. This provision amount is based on the estimated cost of removing the leasehold improvements made to the premises and restoring the demise to its required category A condition.

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
Accelerated capital allowances	-	(98,295)	55,869	-	55,869	(98,295)
Unused tax losses	(55,869)	-	-	98,295	(55,869)	98,295
Other	-	-	-	-	-	-
Tax assets / (liabilities)	(55,869)	(98,295)	55,869	98,295	-	-
Net tax assets / (liabilities)	(55,869)	(98,295)	55,869	98,295	-	-

15 Employee benefits

Defined contribution plans

The Company operates one defined contribution pension plan.

The total expense relating to these plans in the current year was £747,392 (2019: £687,496)

Notes (continued)

15 Employee benefits (continued)

Share-based payments

The Board of Directors of Demica Jersey Limited, a Group holding company, operates a Management Equity Plan under which it makes equity-settled share-based payments to certain employees whereby services are rendered in exchange for rights over the shares of Demica Jersey Limited.

Date	Event	Method of settlement accounting	Share class	Number of shares	Vesting conditions
10 11 2017	Issued	Equity	A Ordinary	634,152	Four years after qualifying
01 08 2019	Transferred	Equity	A Ordinary	(5,739)	Four years after qualifying
08 08 2018	Issued	Equity	A Ordinary	236,995	Four years after qualifying
17 07 2019	Redeemed	Equity	A Ordinary	(150,313)	Four years after qualifying
13 03 2020	Issued	Equity	A Ordinary	26,867	
				741,962	
17 07 2019	Issued	Equity	C Ordinary	528,693	Four years after qualifying
17 07 2019	Issued	Equity	C Ordinary	645,280	Five years after qualifying
01 08 2020	Issued	Equity	C Ordinary	456,220	Four years after qualifying
Total				2,372,155	

The number of C Ordinary shares granted during the year was 456,220 (2019: 1,174,513) and the weighted average exercise price of the shares was Nil (2019: Nil). The number of A Ordinary shares issued during the year was 26,867 (2019: Nil) and the weighted average exercise price of the shares was £7.07 (2019: £Nil).

Rights to shares are granted to certain employees with reference to a qualifying date. Upon completion of the first year of employment, 25% of shares vest, and the remainder will vest quarterly over the next three years. Where the start date is prior to the grant date this is treated to recognise past performance.

The estimate of the fair value of the A Ordinary shares issued in 2017 and 2018 is measured based on a PWERM model as well as taking into account any external funding rounds. This model estimates the fair value of shares based on analysis of future values for the company assuming various future outcomes. Share value is based on the probability-weighted present value of the expected future investment returns, considering each of the possible outcomes available to the company, as well as the rights of each share class. A cost of equity of 12% has been judged to be appropriate, and a discount of 25% has been applied for to reflect a decrease in market value due to the lack of readily available market for the shares and the minority stake acquired and Demica has elected for a policy of recognising the compensation costs for these awards in the period granted.

The estimate of the fair value of the C Ordinary shares issued in 2019 and 2020 is measured using the Option-Pricing Method. This estimates the fair value of the shares by considering preferred and ordinary shares as call options on the total shareholders' equity value, giving consideration to the rights and preferences of each class of equity. The various share classes are modelled as call options that give their owners the right, but not the obligation, to buy the underlying shareholders' equity value at a predetermined (or exercise) price. Ordinary shares are considered to be a call option with a claim on shareholders' equity value at an exercise price equal to the aggregate liquidation preferences for the preferred share classes. The Option-Pricing Method depends on key assumptions regarding the volatility and time to a liquidity event but does not require explicit estimates of the possible future outcomes. As such, this method is best used when the range of possible future outcomes is difficult to predict, making forecasts highly speculative. The Black-Scholes formula is used to estimate the value of the C Ordinary shares.

Notes (continued)

15 Employee benefits (continued)

Share-based payments (continued)

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2020 £	2019 £
Total share-based payment expense	442,260	851,059

The company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expenses on the basis of a reasonable allocation of the expenses according to the Company where the participating employee is employed.

No share options were exercised, forfeited or expired (2019: Nil) during the period.

16 Capital and reserves

Share capital

In thousands of shares	Ordinary shares 2020
On issue at 1 January	4,037,204
Issued for cash	10,500
On issue at 31 December – fully paid	4,047,704

During the year 10,500,000 (2019: 10,550,000) new shares were issued to Demica Holdings Limited for cash consideration of £10,500,000 (2019: £10,550,000).

	2020 £	2019 £
Allotted, called up and fully paid		
4,047,704,039 ordinary shares of 0.000025p each	101,193	100,930
Shares classified in shareholders' funds	101,193	100,930

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Capital Contribution £	Share Premium £
At the beginning of the year	279,909	25,749,358
Premium on issue of Shares to Parent	-	10,499,737
Shares classified in shareholders' funds	279,909	36,249,095

Notes (continued)

16 Capital and reserves (continued)

Profit and loss account

	2020	2019
As at 1 st January	(19,830,904)	(13,644,584)
Loss for the year	(5,554,099)	(7,037,379)
Equity settled share-based transactions	442,260	851,059
As at 31 st December	(24,942,743)	(19,830,904)

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2020	2019
	£	£
Assets measured at amortised cost	10,482,676	6,185,419
Liabilities measured at amortised cost	5,481,258	3,916,026

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£	£
Less than one year	517,783	140,088
Between one and five years	1,507,685	2,025,468
	2,025,468	2,165,556

During the year £387,541 was recognised as an expense in the profit and loss account in respect of operating leases relating to the office and two photocopiers (2019: £479,005).

19 Commitments

Capital commitments

In November 2019 Demica entered into an agreement with The Edarat Group for a five year agreement with a total value of £1,407,720 to purchase Azure Stack Cloud services in Saudi Arabia. The first availability of this service was 28th April 2020.

This service contract is matched by a five year contract between Demica and The Saudi British Bank for the provision of the Edarart service for a total of £703,860 over five years.

The contractual commitments for the purchase of these services at the year-end was £1,240,650 (2019: £Nil).

Notes (continued)

20 Related parties

Identity of related parties with which the Company has transacted

During 2020, Demica Limited paid costs of £200,497 (2019: £292,577) on behalf of Demica Finance Limited in relation to various staff costs and overhead costs.

During 2020, Demica Limited paid costs of £6,921 (2019: £30,143) on behalf of Demica Inc in relation to various staff costs and overhead costs.

Other related party transactions

During the year the following sales were made to entities with control, joint control or significant influence in relation to services performed in connection to trade receivables transactions:

	Sales To 2020 £	Administrative expenses incurred from 2020 £	Sales To 2019 £	Administrative expenses incurred from 2019 £
Entities with control, joint control or significant influence	255,073	-	713,783	-

Demica Limited was appointed as reporting agent by Liberty Onesteel Pte Limited, Liberty OneSteel (Financing), Speciality Steel UK Limited and Simec, members of the GFG Alliance, which also owns Wyelands Capital Holdings PTE Limited, a shareholder of the ultimate parent undertaking, on various trade receivables financing programmes and charged implementation and reporting fees.

TOMS Speciality Finance LLC have a minority interest in Nomad Foods, who appointed Demica Limited as reporting agent on a supply chain finance transaction and charged implementation fees during 2020.

	2020 £	2019 £
Liberty OneSteel Pte Limited	90,167	544,166
Liberty OneSteel (Financing)	(10,500)	61,500
Speciality Steel UK Limited	99,448	99,542
Simec	-	8,575
Nomad Foods	75,958	-
	255,073	713,783

	Receivables outstanding 2020 £	Creditors outstanding 2020 £	Receivables outstanding 2019 £	Creditors outstanding 2019 £
Other Group companies	156,255	-	181,348	-
Other related parties included in Trade Debtors	30,243	-	144,155	-
Total	186,498	-	325,503	-

Notes *(continued)*

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Demica Holdings Limited, Ogier House, The Esplanade, St Helier, Jersey JE4 9WG. The ultimate parent undertaking is a limited partnership made up of Dem Acquisition Limited, TOMS Speciality Finance LLC, 76 West Holdings, Wyelands Capital Holdings PTE Limited, Simcah Partners LP, Mission Holdings Pte Ltd (Cayman Islands) and Matt Wreford. No single person or entity has overall control. The results of the Company are consolidated into Group financial statements.

22 Subsequent events

In addition, subsequent to the balance sheet date, Demica Holdings Limited made an equity injection via the issue of new shares into the Company of £1,600,000 on 22nd April 2021, of £1,000,000 on 16th June 2021, of £2,000,000 on 13th July 2021 and of £823,000 on 10th September 2021.

23 Accounting estimates and judgements

Key sources of estimation uncertainty

In its determination of the valuation of trade and receivables, including the allowance for doubtful accounts, management relies on current customer information, which include customer creditworthiness and past experiences, and its planned course of action as well as assumptions about business and economic conditions in the future period over which receivables are collectible. If future collections differ from estimates, future earnings would be affected.

In its determination of the valuation of equity-settled shares under the Management Equity Plan, management relies on the estimation of future cash flows, applying appropriate growth rates and a suitable discount rate. The PWERM estimates the fair value of the shares on an analysis of future values for the company assuming various future outcomes. Probabilities are applied to calculate a probability weighted expected future equity.