

Demica Limited

Annual report and financial statements

Registered number 02492599

31 December 2022

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Strategic Report

Principal Activities

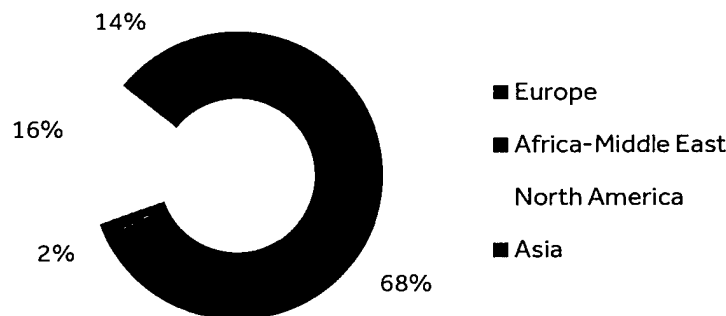
Supply chain finance is a massive, highly fragmented opaque market run on legacy systems & manual processes. Demica Limited's vision is to transform the market with a Software-As-A-Service ("SaaS") platform that enables banks and large corporates to easily and efficiently transact, using any product, anywhere in the world.

Demica Limited's market-leading supply chain finance platform, used by the world's leading trade banks and corporates to power their working capital programmes, grew Assets under Administration ("AuA")¹ by 28% in 2022 to reach a milestone \$27 billion.

The business model of the company is not to take credit or settlement risk and instead to facilitate transactions that occur directly between corporate and its funding partner. Demica Limited works with Demica Finance Limited to offer a complete end-to-end working capital solution.

Business Review and Future Developments

The business is well diversified geographically and by products with AuA split as follows as at 31 December 2022:



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. Notable successes during the year included:

- Our bank partners introduced significant additional AuA to our platform during 2022
- Successfully launching large receivable finance transactions for multinational corporate clients such as Sonovate and Klesch as well as for one of Europe's largest mobile telecoms operators.
- Winning Shoprite Group – Africa's largest supermarket retailer – to introduce a new dynamic discounting programme which will provide Shoprite's suppliers with the opportunity to access capital when they need it.

¹ Assets under Administration is the total value of the receivables on the Demica platform across receivables and payables programs as at 31st December 2022

Strategic Report (Continued)

During 2022, rising interest rates around the world have led to a wide divergence in the cost of high yield debt and receivables finance for non-investment grade companies. This can be best illustrated by an example: one of our new clients secured a new receivable finance facility that was priced over 750bp lower than its high yield debt. We expect this trend to continue into 2023, driving the uptake of seller-led supply chain finance by sponsor backed firms.

As a SaaS platform, Demica Limited'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, in addition to a 21% increase in headcount from the prior year, led to the company incurring a pre-tax losses of £15.1m in 2022, (2021: Loss of £11.9m) 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. Management monitor the underlying profitability of the company carefully and forecast that Demica would be profitable and cashflow positive if solely focused on serving its current customers with current products under this analysis.

Net assets of the Company at 31 December 2022 rise to £14.5m (2021: £13.0m) with intangible assets rising to £12.2m (2021: £9.3m) reflecting the continued investment in the development of the platform.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The principal activity of the company is to provide services for the group headed by Demica (Jersey) Limited, the ultimate parent company. The company's cash flows are therefore dependent on the continuation, volume, and pricing of group operations.

The company meets its day to day working capital requirements through capital injections from the shareholders, together with operational cash flows, intercompany trading balances with the group headed by Demica (Jersey) Limited and other funding provided by the group as necessary.

The directors have performed a going concern assessment which indicates that, in reasonably possible downsides, the Company will require additional funds, through funding from its intermediate parent company, Demica (Jersey) Limited, to meet its liabilities as they fall due during the going concern assessment period.

Demica (Jersey) Limited has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. 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 before tax of £15,129,320 was reported in 2022 (2021: Loss before tax of £11,901,982).
- Revenue: £15,678,437, an increase of 26% (2021: 12,406,307).

Strategic Report (*Continued*)

Principal Risks and Uncertainties

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

Business Risks

Demica Limited 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 Limited 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 Limited'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.

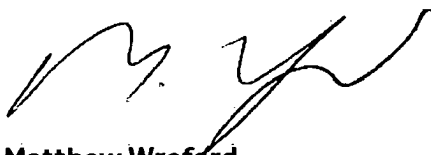
Credit Risks

Demica Limited'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 Limited has no significant concentration of credit exposure, as exposure is spread over a number of counterparties and customers.

Liquidity Risks

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

By order of the board



Matthew Wreford
Director

5th May 2023

Directors' report

Research and development

The company undertakes research and development in connection with its principal activity. During 2022, development costs of £4,483,439 (2021: £4,003,065) were capitalised.

Proposed dividend

The directors do not recommend the payment of a dividend (2021: £nil).

Directors

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

Matthew Wreford

Roger Nagioff

Diego Palacios

Andrew Ryan (resigned 5th April 2022)

Francois Terrade (appointed 11th May 2022)

Hayden Eastwood was appointed after year end on 5th April 2023

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

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.

Subsequent Events

Subsequent to the balance sheet date, Demica Holdings Limited made an equity injection via the issue of new shares into the Company of £5,000,000 on 13th March 2023 and £5,500,000 on 20th April 2023.

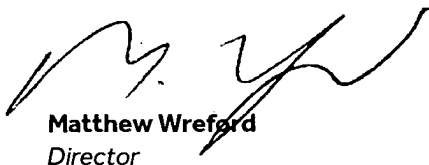
Other information

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 pages 1-3.

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
5th May 2023

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

The directors are responsible for preparing the Annual report, 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 2022 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 2022 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 possible pressures to meet profit targets, we carry out procedures to address the risk of management override of controls and risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- The risk that non-recurring revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

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 with unusual accounts pairings, those posted to seldom used accounts, and those created by individuals who typically do not create or post journal entries.
- Assessing whether non-recurring revenue transactions recognised in December 2022 are recorded in the correct period by vouching a sample of transactions to the supporting documentation to ensure the revenue recognition criteria was met.

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.

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

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: data protection laws, anti-bribery and 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.

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.

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

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.

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.



Neha Shah (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

5th May 2023

Profit and Loss Account and Other Comprehensive Income
for the year ended 31st December 2022

	<i>Note</i>	2022	2021
		£	£
Turnover	2	15,678,437	12,406,307
Cost of sales		(19,218,092)	(15,696,960)
Gross loss		(3,539,655)	(3,290,653)
Distribution costs		(3,483,065)	(4,147,922)
Administrative expenses		(8,290,359)	(4,269,567)
Operating loss	3	(15,313,079)	(11,708,142)
Interest receivable and similar income	5	184,487	182
Interest payable and similar charges	6	(728)	(194,022)
Loss before taxation		(15,129,320)	(11,901,982)
Tax credit on loss	7	1,021,064	1,136,815
Loss for the year		(14,108,256)	(10,765,167)

The notes on pages 15 to 36 form an integral part of these financial statements.

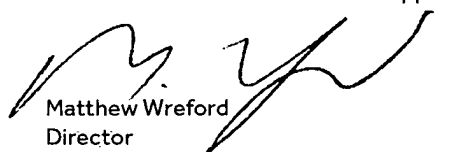
There was no other comprehensive income for either period other than the loss for the year, the whole of which has been derived from continuing activities.

Balance Sheet
At 31st December 2022

	Note	2022		2021	
		£	£	£	£
Fixed assets					
Intangible Assets	8	12,226,781		9,265,874	
Tangible assets	9	331,540		492,575	
			12,558,321		9,758,449
Current assets					
Debtors (including £232,230 (2021: £232,230) due after more than one year)	10	5,509,072		5,210,107	
Cash at bank and in hand	11	3,832,651		4,147,094	
			9,341,723		9,357,201
Creditors: amounts falling due within one year	12	(7,432,126)		(6,077,430)	
			1,909,597		3,279,771
Net current assets			1,909,597		3,279,771
Total assets less current liabilities			14,467,918		13,038,220
Provisions for liabilities	13	(117,335)		(117,335)	
Net assets			14,350,583		12,920,885
Capital and reserves					
Called up share capital	16		101,851		101,476
Share premium account			62,567,867		47,568,242
Capital contribution reserve			279,909		279,909
Profit and loss account			(48,599,044)		(35,028,742)
Shareholders' funds			<u>14,350,583</u>		<u>12,920,885</u>

The notes on pages 15 to 36 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 5th May 2023 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 2022	101,476	47,568,242	279,909	(35,028,742)	12,920,885
Loss for the year	-	-	-	(14,108,256)	(14,108,256)
Total comprehensive income for the period	-	-	-	(14,108,256)	(14,108,256)
Transactions with owners, recorded directly in equity					
Issue of shares	375	14,999,625	-	-	15,000,000
Equity-settled share-based payment transactions (capital contribution)	-	-	-	537,954	537,954
Total contributions by and distributions to owners	375	14,999,625	-	537,954	15,537,954
Balance at 31 December 2022	101,851	62,567,867	279,909	(48,599,044)	14,350,583

The notes on pages 15 to 36 form an integral part of these financial statements.

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 2021	101,193	36,249,095	279,909	(24,942,743)	11,687,454
Loss for the year	-	-	-	(10,765,167)	(10,765,167)
Total comprehensive income for the period	-	-	-	(10,765,167)	(10,765,167)
Transactions with owners, recorded directly in equity					
Issue of shares	283	11,319,147	-	-	11,319,430
Equity-settled share-based payment transactions (capital contribution)	-	-	-	679,168	679,168
Total contributions by and distributions to owners	283	11,319,147	-	679,168	11,998,598
Balance at 31 December 2021	101,476	47,568,242	279,909	(35,028,742)	12,920,885

The notes on pages 15 to 36 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31st December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Loss for the year		(14,108,256)	(10,765,167)
Adjustments for:			
Depreciation and amortisation		1,706,444	1,092,362
Interest receivable and similar income	5	(184,487)	(182)
Interest payable and similar charges	6	728	194,022
Equity settled share-based payment expenses		537,954	679,168
(Increase)/ Decrease in trade and other debtors		(789,121)	61,258
Increase in trade and other creditors		1,354,696	596,172
(Increase) in R&D expenditure credit		(1,021,064)	(1,136,815)
Interest Paid		(728)	(42,125)
R&D tax credit payment received		1,511,220	-
Realised foreign exchange gains/(losses)		232,629	(192,456)
Net cash (used in) operating activities		(10,759,985)	(9,513,763)
Cash flows from investing activities			
Interest received		3,661	182
Acquisition of tangible fixed assets	9	(22,877)	(32,856)
Capitalised development expenditure	8	(4,483,439)	(4,014,584)
Net cash (used in) investing activities		(4,502,655)	(4,047,258)
Cash flows from financing activities			
Proceeds from the issue of share capital	16	15,000,000	11,319,430
Net cash generated from financing activities		15,000,000	11,319,430
Net (decrease) in cash and cash equivalents		(262,640)	(2,241,591)
Cash and cash equivalents at 1 January		4,147,094	6,348,126
Effect of exchange rate fluctuations on cash held		(51,803)	40,559
Cash and cash equivalents at 31 December	11	3,832,651	4,147,094

The notes on pages 15 to 36 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Demica Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered 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"). 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

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The principal activity of the company is to provide services for the group headed by Demica (Jersey) Limited, the ultimate parent company. The company's cash flows are therefore dependent on the continuation, volume, and pricing of group operations.

The company meets its day to day working capital requirements through capital injections from the shareholders, together with operational cash flows, intercompany trading balances with the group headed by Demica (Jersey) Limited and other funding provided by the group as necessary.

The directors have performed a going concern assessment which indicates that, in reasonably possible downsides, the Company will require additional funds, through funding from its intermediate parent company, Demica (Jersey) Limited, to meet its liabilities as they fall due during the going concern assessment period.

Demica (Jersey) Limited has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. 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.

Notes (continued)

1. Accounting policies (continued)

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.

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. 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 group 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 group, as well as the rights of each share class, taking in to account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 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)

Processing and reporting revenue

Processing and reporting fees are derived from SaaS contracts covering an initial term. These revenues are recognised monthly based on the level of customer usage in the month, subject to contractual minimums.

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.

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.

Notes (continued)

1. Accounting policies (continued)

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

	2022	2021
	£	£
Rendering of services	15,555,479	12,406,307
Intercompany Revenue	122,958	-
Total turnover	15,678,437	12,406,307
By geographical market		
UK	2,851,415	1,806,863
Rest of Europe	9,332,897	8,251,940
Rest of the world	3,494,125	2,347,504
	15,678,437	12,406,307

3 Expenses and auditor's remuneration

Included in profit and loss are the following:

	2022	2021
	£	£
Research & Development expensed as incurred	1,737,815	942,480
Operating lease expenses	481,985	402,593
Depreciation on tangible fixed assets	183,912	198,589
Amortisation on intangible fixed assets	1,522,532	893,773

Auditor's remuneration:

	2022	2021
	£	£
Audit of these financial statements	56,000	41,200

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	7,500	7,000
------------------------------	-------	-------

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	
	2022	2021
Distribution	21	22
Operations & Administration	136	108
	157	130

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£	£
Wages and salaries	14,232,119	12,232,933
Share based payments (see note 15)	537,954	679,168
Social security costs	1,756,250	1,642,834
Contributions to defined contribution plans	1,058,415	957,681
	17,584,738	15,512,616

Directors' remuneration

	2022	2021
	£	£
Directors' remuneration	854,852	754,101
Share based payments	124,169	204,176
Contributions to defined contribution plans	22,500	25,417
	1,001,521	983,694

The aggregate of remuneration of the highest paid director was £460,229 (2021: £359,002), and company pension contributions of £10,000 (2021: £10,000) were made to a money purchase scheme on his behalf. A share based payment expense of £56,603 (2021: £104,742) relates to the highest paid director. The aggregate remuneration of the remaining directors was £394,623 (2021: £395,099), and company pension contributions of £12,500 (2021: £15,417). A share based payment expense of £67,566 (2021: £99,434) relates to the remaining directors in the period.

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	3	3

Notes (continued)

5 Interest receivable and similar income

	2022	2021
	£	£
Foreign exchange gain	180,826	-
Interest income	3,661	182
Total interest receivable and similar income	184,487	182

Interest receivable and similar income includes income from group undertakings of £Nil (2021: £Nil).

6 Interest payable and similar charges

	2022	2021
	£	£
Foreign exchange loss	-	151,897
Interest payable	728	42,125
Total other interest payable and similar charges	728	194,022

7 Taxation

	2022		2021	
	£	£	£	£
<i>Current tax</i>				
Current tax on income for the period	(941,473)		(867,764)	
Adjustments in respect of prior periods	(79,591)		(269,051)	
		_____		_____
Total current tax	(1,021,064)		(1,136,815)	
<i>Deferred tax</i>	-		-	
	_____		_____	
Total deferred tax	-		-	
		_____		_____
Total tax		(1,021,064)		(1,136,815)
		=====		=====

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2022	2021
	£	£
Loss for the year	(14,108,256)	(10,765,167)
Total corporation tax credit	(1,021,064)	(1,136,815)
Loss excluding taxation	(15,129,320)	(11,901,982)
Tax using the UK corporation tax rate of 19%	(2,874,571)	(2,261,377)
Expenses not deductible for tax purposes	102,211	134,267
R&D enhancement	(697,283)	(642,692)
Losses surrendered (R&D)	292,181	269,306
Net capital allowance movement not recognised	(212,147)	(286,830)
Share scheme deduction under Part 12 CTA 2009	(16,018)	(19,843)
Pension contributions adjustment	4,601	(9,983)
Unrecognised tax losses	2,459,553	1,949,388
Prior year adjustment relating to R&D tax claim	(79,591)	(269,051)
Total tax credit included in profit or loss	(1,021,064)	(1,136,815)

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.

Notes (continued)

8 Intangible assets

	Software	User Interfaces	Supplier Onboarding Tool	Development Costs	Website	Invoice Discounting	Trade Receivables Finance	Total
	£	£	£	£	£	£	£	£
Cost								
Balance at 1 January 2022	204,003	426,531	441,436	1,289,785	25,441	4,838,789	4,189,127	11,415,112
Additions – externally purchased	-	-	-	-	-	-	-	-
Additions – internally developed	-	-	-	1,928,113	-	2,555,326	-	4,483,439
Transfers	-	-	-	(659,668)	-	659,668	-	-
Balance at 31 December 2022	204,003	426,531	441,436	2,558,230	25,441	8,053,783	4,189,127	15,898,551
Amortisation								
Balance at 1 January 2022	154,987	426,531	441,436	-	12,721	318,408	795,155	2,149,238
Amortisation for the year	19,528	-	-	-	5,249	899,429	598,326	1,522,532
Transfers	-	-	-	-	-	-	-	-
Balance at 31 December 2022	174,515	426,531	441,436	-	17,970	1,217,837	1,393,481	3,671,770
Net book value								
At 31 December 2022	29,488	-	-	2,558,230	7,471	6,835,946	2,795,646	12,226,781
At 1 January 2022	49,016	-	-	1,289,785	12,720	4,520,381	3,393,972	9,265,874

Notes (continued)

8 Intangible assets (continued)

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 Invoice Discounting of £4,483,439 (2021: £4,003,065) have been capitalised within intangible assets. The development costs brought forward at the start of the year of £659,668 (2021: £1,495,392) relating to Invoice Discounting and £Nil (2021: £2,131,024) relating to Trade Receivable Finance Back End have been transferred from Development costs to Invoice Discounting and User Interfaces respectively, following completion of development work.

Amortisation charge

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

	2022 £	2021 £
Cost of sales	1,517,283	888,685
Distribution	5,249	5,088
	1,522,532	893,773

The maximum remaining amortisation period is 7 years.

Notes (continued)

9 Tangible fixed assets

	Computer Equipment £	Fixtures & fittings £	Total £
Cost			
Balance at 1 January 2022	242,019	772,530	1,014,549
Additions	22,041	836	22,877
Balance at 31 December 2022	264,060	773,366	1,037,426
Depreciation			
Balance at 1 January 2022	163,603	358,371	521,974
Depreciation charge for the year	41,511	142,401	183,912
Balance at 31 December 2022	<u>205,114</u>	<u>500,772</u>	<u>705,886</u>
Net book value			
At 31 December 2022	58,946	272,594	331,540
At 1 January 2022	<u>78,416</u>	<u>414,159</u>	<u>492,575</u>

10 Debtors

	2022 £	2021 £
Trade debtors	2,614,691	1,828,321
Amounts owed by other Group undertakings	51,971	12,573
Other debtors	385,873	489,696
Research and development expenditure credit	1,753,470	2,243,627
Prepayments and accrued income	703,067	635,890
	5,509,072	5,210,107
Due within one year	5,276,842	4,977,877
Due after more than one year	232,230	232,230
	5,509,072	5,210,107

Amounts owed by other Group undertakings are repayable on demand and are unsecured.

Notes (continued)

11 Cash and cash equivalents/ bank overdrafts

	2022 £	2021 £
Cash at bank and in hand	3,832,651	4,147,094

12 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,584,357	909,268
Taxation and social security	594,390	475,737
Other creditors	276	276
Accruals and deferred income	4,807,609	4,325,006
Payments received on account	39,022	57,329
Amounts owed to Group undertakings	406,472	309,814
	7,432,126	6,077,430

Amounts owed to Group undertakings are repayable on demand and are unsecured.

13 Provisions

	2022 £	2021 £
Balance at 1 January and 31 December	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.

Notes (continued)

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	£	£	£	£	£	£
Accelerated capital allowances	-	-	(66,065)	(46,789)	(66,065)	(46,789)
Unused tax losses	66,065	46,789	-	-	66,065	46,789
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax	66,065	46,789	(66,065)	(46,789)	-	-

The company has tax losses available for offset against future profits. The unrecognised deferred tax assets is approximately £14,363,044 (2021: £11,103,021). This has not been recognised due to uncertainty over when it might be realised.

Notes (continued)

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 £ 1,058,415 (2021: £957,681)

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	Redeemed	Equity	A Ordinary	(76,612)	
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	
				665,350	
17 07 2019	Issued	Equity	C Ordinary	528,693	Four years after qualifying
17 07 2019	Issued	Equity	C Ordinary	645,820	Five years after qualifying
01 08 2020	Issued	Equity	C Ordinary	456,220	Four years after qualifying
01 08 2021	Issued	Equity	C Ordinary	773,591	Four years after qualifying
01 05 2022	Issued	Equity	C Ordinary	290,702	Four years after qualifying
2021/2022	Redeemed	Equity	C Ordinary	(313,180)	
Total				3,047,196	

The number of C Ordinary shares granted during the year was 290,702 (2021: 773,591) and the weighted average exercise price of the shares was Nil (2021: Nil). The number of A Ordinary shares issued during the year was Nil (2021: Nil) and the weighted average exercise price of the shares was £Nil (2021: 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.

Notes (continued)

15 Employee benefits (continued)

Share-based payments (continued)

The estimate of the fair value of the C Ordinary shares issued between 2019 and 2022 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.

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:

	2022	2021
	£	£
Total share-based payment expense	537,954	679,168

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.

C Ordinary Shares of 176,077 (2021: 137,103) were forfeited during the period. No share options were exercised or expired (2021: Nil) during the period.

Notes (continued)

16 Called Up Share Capital

Share capital

	Ordinary shares 2022
In thousands of shares	
On issue at 1 January	4,059,023
Issued for cash	15,000
On issue at 31 December – fully paid	4,074,023

During the year 15,000,000 (2021: 11,319,430) new shares were issued to Demica Holdings Limited for cash consideration of £15,000,000 (2021: £11,319,430).

	2022 £	2021 £
Allotted, called up and fully paid		
4,074,023 ordinary shares of 0.000025p each	101,851	101,476
Shares classified in shareholders' funds	101,851	101,476

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.

17 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022 £	2021 £
Assets measured at amortised cost	8,715,370	8,792,939
Liabilities measured at amortised cost	6,630,970	5,804,325

Notes (continued)

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£	£
Less than one year	591,704	592,134
Between one and five years	415,532	1,007,236
	1,007,236	1,599,370

During the year £481,985 was recognised as an expense in the profit and loss account in respect of operating leases relating to the office and two photocopiers (2021: £402,593).

19 Commitments

Capital commitments

In November 2019 Demica Limited entered into an agreement with The Edarat Group for a five year agreement with a total value of £1,531,517 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 Limited and The Saudi British Bank for the provision of the Edarart service for a total of £765,759 over five years.

The contractual commitments for the purchase of these services at the year-end was £737,148 (2021: £1,243,599).

20 Related parties

Identity of related parties with which the Company has transacted

During 2022, Demica Limited paid costs of £122,958 (2021: £146,577) on behalf of Demica Finance Limited in relation to shared facility costs. Demica Finance Limited met costs of £100,406 (2021: £Nil) in relation to an employee who was seconded from Demica Finance Limited to Demica Limited.

During 2022, Demica Limited paid costs of £Nil (2021: £4,926.57) on behalf of Demica Inc in relation to various staff costs and overhead costs. Sales support services amounting to £686,816 (2021: £462,465) were also provided to Demica Limited by Demica Inc during the year.

During 2022 Demica Limited paid Demica Spolka Z Ograniczona Odpowiedzialnoscia for development services amounting to £421,892 (2021: £190,148).

Loans entered into between shareholders had a year end balance of £1,235,795 (2021: £1,843,453).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £3,126,924 (2021: £2,817,649).

Notes (continued)

20 Related parties (continued)

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	Administrative expenses incurred from	Sales To	Administrative expenses incurred from
	2022	2022	2021	2021
	£	£	£	£
Entities with control, joint control or significant influence	46,281	-	107,240	-

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 the year as shown below.

	2022	2021
	£	£
Speciality Steel UK Limited	18,880	98,152
International Finance Corporation	27,401	9,088
	46,281	107,240

	Receivables outstanding	Creditors outstanding	Receivables outstanding	Creditors outstanding
	2022	2022	2021	2021
	£	£	£	£
Other Group companies	51,971	-	12,573	309,814
Other related parties included in Trade Debtors	2,814	-	50,840	-
Total	54,784	-	63,413	309,814

Notes (continued)

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Demica Holdings Limited, 44 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, the International Finance Corporation (part of the World Bank group), Simcah Partners LP, Mission Holdings Pte Ltd (Cayman Islands) and Matt Wreford. No single person or entity has overall control. The smallest group in which the results are consolidated is that headed by Demica Jersey Limited, 44 Esplanade, St Helier, Jersey JE4 9WG. The consolidated financial statements of this group is not available to the public.

22 Subsequent events

Subsequent to the balance sheet date, Demica Holdings Limited made an equity injection via the issue of new shares into the Company of £5,000,000 on 13th March 2023 and £5,500,000 on 20th April 2023.

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 intangible fixed assets management relies on the estimation of future cash flows, and the useful life of the asset. If these 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