

DUEDIL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

DUEDIL LIMITED

COMPANY INFORMATION

Directors

M Blackadder (appointed 31 July 2021)
S Borthwick (appointed 31 July 2021)
J W Fitzpatrick
A Yates (appointed 31 July 2021)
J Gale (appointed 1 September 2019, resigned 31 July 2021)
P Kemp (resigned 31 July 2021)
R Matthews (appointed 8 May 2019, resigned 31 July 2021)
I Milbourn (appointed 11 February 2021, resigned 31 July 2021)
A Millard (resigned 31 July 2021)
C Tottman (resigned 11 February 2021)

Registered number 06999618

Registered office 10 Queen Street Place
London
EC4R 1AG

Independent auditors Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

DUEDIL LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

The directors present their Strategic Report on DueDil Limited (the "Company") for the financial year ended 31 December 2019.

Principal activities

The Company exists to inform and connect the economy by telling the story behind every business. DueDil provides instant access to information on more than 50 million companies through an easy to integrate API and intuitive web application.

Our clients use DueDil to accelerate their adoption of digital technology into all areas of their business, fundamentally changing how they operate and deliver value to their own customers. DueDil's purpose-built technology stack creates proprietary data and insights on tens of millions of companies, which is deeply embedded into our clients' core workflows. Our clients use our solutions to size their addressable market, compliantly onboard customers and risk rate counterparties at speed.

By balancing breadth and depth of insights and easy integration we help our clients replace business operations that have traditionally been manually driven and paper-based. Nowhere is this more apparent than with our clients who serve SMEs, the segment of the market most in need of richer sources of insight.

Greater regulation and sophistication in the use of technology to drive business growth, and in particular increasing rates of API (Application Programming Interface) adoption across many industries, are driving growing demand for DueDil's products, notably from businesses in the Financial Services sector.

Business review

Operating turnover (excluding non-operating income) increased by 25% to £5.0M, compared to £4.0M in 2018, continuing the trend of increasing year-on-year growth since the Company's formation.

Underlying operating gross margin (i.e. excluding the impact of non-operating income) increased to 71%, compared to 69% in 2018.

The operating loss for the year reflects the Board's intention to continue investment into its go to market operations and new products and solutions that complement DueDil's core API and web application solutions.

The Company was recognised as the winner of Regtech Partner of the Year at the British Banking Awards 2020, for the second successive year.

Research and development

During the year the Company invested £969,000 in development activities (2018: £862,000). Of the amount invested in 2019, £338,000 has been capitalised as an intangible asset (2018: £-), which will be amortised from January 2020. There was no amortisation charge made in 2019.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Principal risks and uncertainties

Performance and financial risk management are fundamental to the Company's management processes. The principal risks and uncertainties faced by the Company are as follows:

Performance risk

This is the risk identified that the Company will fail to meet its contractual obligations in connection with availability of the Company's API and web application in accordance with service level agreements (SLAs), which is critical for a large number of our clients. The Company sets internal targets which are more stringent than our client SLAs, and these are continually monitored in 'real-time'. The Company publishes service availability statistics on a generally available web page. In order to further mitigate this risk, the Company undertook a major project in the latter part of 2019 to increase the reliability and resilience of both platforms by switching its hosting provider to Google's Cloud Platform.

Liquidity risk

The Company's current assets are cash or assets which are converted into cash within a short period of time and the directors ensure that the Company maintains a sufficient cash balance to minimise liquidity risk. The Company's income stream is based on pre-agreed contractual arrangements with clients thereby reducing price and credit risk. Conversion of trade debtors into cash in accordance with contractual terms is closely monitored. The Company continually monitors its current and future funding requirements through its risk management and regularly updated financial projections.

Foreign currency risk

The majority of the Company's clients are invoiced in £STG thereby minimising the Company's exposure to currency rate risk.

Market competition and technological change

The Company continues to invest in new products and solutions designed to address more of our existing and future clients' needs and to address competition in the Company's markets. During each quarter the Company rigorously reviews its Product Roadmap for the subsequent quarter to ensure the correct projects are being undertaken and that resources are allocated in the most efficient manner. As noted above, the Company undertook a major project in the latter part of 2019 to increase the reliability and resilience of both platforms by switching its hosting provider to Google's Cloud Platform, as an example of the Company's ongoing assessment and implementation of the appropriate technologies to best meet our clients' needs. The Company further strengthened its Technical team in the latter part of 2019 by hiring a new CTO, who is already making a significant positive impact on the Company's technical and product development.

Recruiting and retaining employees at the appropriate level

Recruitment and retention are at the forefront of the Company's operations. The Company strengthened its HR team during the latter part of 2018 and during 2019 a number of initiatives were implemented in order to improve recruitment and retention, namely: improvements to the recruitment process; employee onboarding and engagement; training and development; and psychometric assessment and coaching. As a result of these initiatives we have been able to recruit and retain employees at the appropriate level and will continue to develop these initiatives during the forthcoming year.

Other risks and uncertainties

The UK officially left the European Union on 31 January 2020. As the majority of the Company's current clients are based in the UK, the Company is not expecting any material adverse impact on trading arising from the UK's exit from the European Union.

In relation to Covid-19, management continues to monitor all potential impacts on the Company's business. Our HR team is continuing to monitor developments as they impact employees, most of whom have been working successfully from home since mid-March 2020, and as at today's date we are contemplating a measured return to office working.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Financial key performance indicators

The Company's key financial and other performance indicators for the year were as follows:

	2019	2018	%
Turnover (£000s)	5,056	4,497	12%
Operating loss (£000s)	(5,317)	(5,333)	-0.3%
Loss after tax (£000s)	(5,341)	(5,548)	-3.7%
Average number of employees	64	70	-9%

Other key performance indicators

In addition to a broad range of financial KPIs the Company also monitors a number of operational KPIs, both of which are used on a regular basis to inform management decisions and actions.

This report was approved by the board on 27 September 2021 and signed on its behalf.

J W Fitzpatrick
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The loss for the year, after taxation, amounted to £5,341,167 (2018 - loss £5,547,997).

There were no dividends declared or paid during the year (2018: £nil).

Directors

The directors who served during the year were:

J W Fitzpatrick

J Gale (appointed 1 September 2019, resigned 31 July 2021)

P Kemp (resigned 31 July 2021)

R Matthews (appointed 8 May 2019, resigned 31 July 2021)

I Milbourn (appointed 11 February 2021, resigned 31 July 2021)

A Millard (resigned 31 July 2021)

C Tottman (resigned 11 February 2021)

Future developments

Over the next year the Company intends to continue the trend in increasing operating turnover by: further penetration into the Company's addressable market; expanding relationships with existing clients; continuing to invest in new products and solutions; and exploiting new routes to market..

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditors

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

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

Post balance sheet events

On 31 July 2021:

- the Company's issued share capital classes in existence prior to this date were all re-classed as S1 Deferred Shares, with no voting, dividend or pre-emption rights attaching;
- existing convertible loan notes were converted into Ordinary shares;
- the Company raised additional Ordinary share capital of £1.6M to support future working capital requirements; and
- Artesian Solutions Limited (Company Number: 05667880) purchased all of the Company's Ordinary share capital.

Auditors

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

This report was approved by the board on 27 September 2021 and signed on its behalf.

J W Fitzpatrick
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUEDIL LIMITED

Opinion

We have audited the financial statements of Duedil Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company is reliant on its parent, Artesian Solutions Limited, for financial support and on renegotiating its current bank debt. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. As stated in note 2.2 the directors have a reasonable expectation that the Company will have adequate resources to continue operating for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUEDIL LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

DUEDIL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUEDIL LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

David Cox (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

27 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019 £	2018 £
Turnover		5,056,476	4,497,484
Cost of sales		(1,004,460)	(915,679)
Gross profit		<u>4,052,016</u>	<u>3,581,805</u>
Administrative expenses		(9,368,968)	(8,915,143)
Operating loss		<u>(5,316,952)</u>	<u>(5,333,338)</u>
Interest payable and expenses	9	(362,247)	(414,315)
Loss before tax		<u>(5,679,199)</u>	<u>(5,747,653)</u>
Tax on loss		338,032	199,656
Loss for the financial year		<u><u>(5,341,167)</u></u>	<u><u>(5,547,997)</u></u>

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 14 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	338,824	-
Tangible assets	12	150,818	148,723
		<u>489,642</u>	<u>148,723</u>
Current assets			
Debtors: amounts falling due within one year	13	2,857,502	2,068,766
Cash at bank and in hand	14	1,870,478	3,726,218
		<u>4,727,980</u>	<u>5,794,984</u>
Creditors: amounts falling due within one year	15	(7,999,636)	(3,544,579)
Net current (liabilities)/assets		<u>(3,271,656)</u>	<u>2,250,405</u>
Total assets less current liabilities		<u>(2,782,014)</u>	<u>2,399,128</u>
Creditors: amounts falling due after more than one year	16	(3,208,025)	(3,108,000)
Net liabilities		<u><u>(5,990,039)</u></u>	<u><u>(708,872)</u></u>
Capital and reserves			
Called up share capital		6,524	6,524
Share premium account	20	28,794,756	28,794,756
Profit and loss account	20	(34,791,319)	(29,510,152)
		<u><u>(5,990,039)</u></u>	<u><u>(708,872)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2021.

J W Fitzpatrick
Director

The notes on pages 14 to 29 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2019	6,524	28,794,756	(29,510,152)	(708,872)
Comprehensive income for the year				
Loss for the year	-	-	(5,341,167)	(5,341,167)
Share option charge	-	-	60,000	60,000
At 31 December 2019	<u>6,524</u>	<u>28,794,756</u>	<u>(34,791,319)</u>	<u>(5,990,039)</u>

The notes on pages 14 to 29 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	360	18,731,390	(24,022,155)	(5,290,405)
Comprehensive income for the year				
Loss for the year	-	-	(5,547,997)	(5,547,997)
Shares issued during the year	6,164	10,063,366	-	10,069,530
Share option charge	-	-	60,000	60,000
At 31 December 2018	<u>6,524</u>	<u>28,794,756</u>	<u>(29,510,152)</u>	<u>(708,872)</u>

The notes on pages 14 to 29 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(5,341,167)	(5,547,997)
Adjustments for:		
Depreciation of tangible assets	76,066	57,400
Interest paid	362,247	414,315
Taxation charge	338,032	199,656
(Increase) in debtors	(788,736)	(405,984)
Increase/(decrease) in creditors	1,542,851	(394,965)
Corporation tax credit	(338,032)	(199,656)
Share option charge	60,000	60,000
Net cash generated from operating activities	<u>(4,088,739)</u>	<u>(5,817,231)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(338,824)	-
Purchase of tangible fixed assets	(78,161)	(75,466)
Net cash from investing activities	<u>(416,985)</u>	<u>(75,466)</u>
Cash flows from financing activities		
Issue of ordinary shares	-	10,272,276
Expenses paid in connection with share issue	-	(202,743)
New secured loans	963,731	1,686,700
Other new loans	2,048,500	-
Repayment of other loans	-	(2,653,463)
Interest paid	(362,247)	(414,315)
Net cash used in financing activities	<u>2,649,984</u>	<u>8,688,455</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,855,740)</u>	<u>2,795,758</u>
Cash and cash equivalents at beginning of year	3,726,218	930,460
Cash and cash equivalents at the end of year	<u><u>1,870,478</u></u>	<u><u>3,726,218</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,870,478	3,726,218
	<u><u>1,870,478</u></u>	<u><u>3,726,218</u></u>

The notes on pages 14 to 29 form part of these financial statements.

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	3,726,218	(1,855,740)	1,870,478
Debt due after 1 year	(3,108,000)	(100,025)	(3,208,025)
Debt due within 1 year	(329,000)	(2,912,206)	(3,241,206)
	<u>289,218</u>	<u>(4,867,971)</u>	<u>(4,578,753)</u>

The notes on pages 14 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Duedil Limited is a private limited company, limited by shares and registered in England and Wales. Its registered office is 10 Queen Street Place, London, EC4R 1AG.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

Please refer to the post balance sheet events note (Note 18).

The Company is currently in advanced positive negotiations with several interest parties in connection with refinancing the Company's outstanding bank loan (2019: £4.4M). In addition, Artesian Solutions Limited has provided a commitment to ensure that the Company can continue as a going concern for at least 12 months from the date of signing these 31 December 2019 financial statements. Artesian will provide sufficient financial support to the Company as required, for the Company to continue to meet its financial liabilities as they fall due and so that it may carry on its business without unnecessary disruption.

Whilst current loan negotiations are expected to be successful there remains a material uncertainty that loan negotiations will not be completed prior to the current debt becoming repayable. However, together with the recent purchase of all of the Company's ordinary share capital by Artesian Solutions Limited, the directors have a reasonable expectation that the Company will have adequate resources to continue operating for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Share based payments

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

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

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

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.11 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.12 Tangible fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- Over the leasehold term
Fixtures and fittings	- 20% straight line
Office equipment	- 25% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.16 Financial instruments (continued)

at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

The preparation of the financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Key judgements made by management include:

Share option charge

The fair value of options issued are determined using the Black-Scholes option pricing model for which the key assumption used is the expected volatility in the price of the Company's shares. Management reviews this each time new options are issued.

Recognition of intangible fixed assets

The Company capitalises development expenditure in accordance with FRS102 s18. Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to the development programme. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

If there is any uncertainty in terms of the technical feasibility, ability to sell the product or any other risk that means the programme does not meet the requirements of the standard the development costs are expensed within the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Operating income	5,056,476	3,980,067
Grant income	-	517,417
	<u>5,056,476</u>	<u>4,497,484</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	5,056,476	4,497,484
	<u>5,056,476</u>	<u>4,497,484</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Exchange differences	14,346	2,219
Other operating lease rentals	<u>506,695</u>	<u>596,603</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,000</u>	<u>5,400</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	3,000	2,700
Taxation compliance services	4,300	3,000
Other services relating to taxation	18,725	8,775
All other services	20,108	35,378
	<u>46,133</u>	<u>49,853</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	4,543,934	4,187,254
Social security costs	561,254	577,798
Cost of defined contribution scheme	54,700	40,191
	<u>5,159,888</u>	<u>4,805,243</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
	<u>64</u>	<u>70</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	170,833	176,603
	<u>170,833</u>	<u>176,603</u>

Key management personnel are considered to be the directors.

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	362,247	408,637
Other loan interest payable	-	5,678
	<u>362,247</u>	<u>414,315</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
R&D tax credit	(338,032)	(199,656)
	<u>(338,032)</u>	<u>(199,656)</u>
Total current tax	<u>(338,032)</u>	<u>(199,656)</u>
Taxation on loss on ordinary activities	<u>(338,032)</u>	<u>(199,656)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(5,679,199)</u>	<u>(5,747,653)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(1,079,048)	(1,092,054)
Enhanced R&D credit:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	24,348	-
Capital allowances for year in excess of depreciation	2,142	-
Adjustments to tax charge in respect of prior periods	(38,032)	-
Deferred tax not recognised	752,558	892,398
Total tax charge for the year	<u>(338,032)</u>	<u>(199,656)</u>

11. Intangible assets

	Development expenditure £
Cost	
Additions	338,824
At 31 December 2019	<u>338,824</u>
Net book value	
At 31 December 2019	<u>338,824</u>
At 31 December 2018	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 January 2019	323,486	11,952	137,229	234,684	707,351
Additions	33,157	44,445	-	559	78,161
At 31 December 2019	<u>356,643</u>	<u>56,397</u>	<u>137,229</u>	<u>235,243</u>	<u>785,512</u>
Depreciation					
At 1 January 2019	269,320	2,645	113,015	173,648	558,628
Charge for the year on owned assets	18,667	9,605	21,693	26,101	76,066
At 31 December 2019	<u>287,987</u>	<u>12,250</u>	<u>134,708</u>	<u>199,749</u>	<u>634,694</u>
Net book value					
At 31 December 2019	<u>68,656</u>	<u>44,147</u>	<u>2,521</u>	<u>35,494</u>	<u>150,818</u>
At 31 December 2018	<u>54,166</u>	<u>9,307</u>	<u>24,214</u>	<u>61,036</u>	<u>148,723</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Debtors

	2019 £	2018 £
Trade debtors	1,867,704	1,147,860
Other debtors	492,850	416,538
Prepayments and accrued income	496,948	504,368
	<u>2,857,502</u>	<u>2,068,766</u>

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	1,870,478	3,726,218
	<u>1,870,478</u>	<u>3,726,218</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank loans	1,192,706	329,000
Other loans	2,048,500	-
Trade creditors	1,217,430	573,808
Other taxation and social security	305,541	127,781
Other creditors	69,977	22,385
Accruals and deferred income	3,165,482	2,491,605
	<u>7,999,636</u>	<u>3,544,579</u>

Other loans relate to convertible loan notes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Bank loans	3,208,025	3,108,000
	<u>3,208,025</u>	<u>3,108,000</u>

The bank loan with Shawbrook Bank is repayable over 36 months from December 2018 with an interest rate of 9.25%. The loan is secured on the business's assets.

17. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	1,192,706	329,000
Other loans	2,048,500	-
	<u>3,241,206</u>	<u>329,000</u>
Amounts falling due 1-2 years		
Bank loans	1,924,815	1,262,333
	<u>1,924,815</u>	<u>1,262,333</u>
Amounts falling due 2-5 years		
Bank loans	1,283,210	1,845,667
	<u>1,283,210</u>	<u>1,845,667</u>
	<u>6,449,231</u>	<u>3,437,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Financial instruments

	2019	2018
	£	£
Financial assets		
Financial assets measured at amortised cost	<u>2,360,554</u>	<u>1,564,398</u>
Financial liabilities		
Other financial liabilities measured at amortised cost	<u>(10,902,120)</u>	<u>(6,524,798)</u>

Financial assets measured at amortised cost comprise trade and other debtors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
14,851,262 (2018 - 14,900,000) Ordinary shares of £0.00001 each	149	149
6,995,116 (2018 - 7,000,000) A Preferred shares of £0.00001 each	70	70
14,547,376 (2018 - 14,500,000) B Preferred shares of £0.00001 each	145	145
616,025,003 (2018 - 616,000,000) C Preferred shares of £0.00001 each	6,160	6,160
	<hr/>	<hr/>
	<u>6,524</u>	<u>6,524</u>

20. Reserves

Share premium account

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Share based payments

The Company runs a share based payment scheme. Employee share options are granted with vesting periods of 36 months, contingent on the ongoing employment with the Company. Employees who leave the Company prior to vesting of share options will be considered to have forfeited those options.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	21.7	1,047,361	21.7	2,065,968
Granted during the year	0.07	86,740,735		-
Forfeited during the year	0.65	(10,744,851)	21.7	(1,018,607)
Outstanding at the end of the year	<u>0.28</u>	<u>77,043,245</u>	<u>21.7</u>	<u>1,047,361</u>

	2019 Black Scholes	2018 Black Scholes
Option pricing model used		
Weighted average share price (pence)	0.28	21.7
Exercise price (pence)	0.84	60
Weighted average contractual life (days)	1102	1825
Expected volatility	40%	40%
Expected dividend growth rate	0%	0%
Risk-free interest rate	<u>1%</u>	<u>1%</u>

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £54,700 (2018: £40,191). Contributions totalling £nil (2018: £8,575) were payable to the fund at the reporting date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. Commitments under operating leases

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

	2019 £	2018 £
Not later than 1 year	535,815	535,815
Later than 1 year and not later than 5 years	803,723	1,339,538
	<u>1,339,538</u>	<u>1,875,353</u>

24. Post balance sheet events

On 31 July 2021:

- the Company's issued share capital classes in existence prior to this date were all re-classed as S1 Deferred Shares;
- existing convertible loan notes were converted into Ordinary shares;
- the Company raised additional Ordinary share capital of £1.6M to support future working capital requirements; and
- Artesian Solutions Limited (Company Number: 05667880) purchased all of the Company's Ordinary share capital.

Covid-19

In the months before the financial statements were signed, the impact of the Covid-19 pandemic from March 2020 represented a material non adjusting post balance sheet event for the Company. The Directors consider that there is no material impact on the balances recognised at 31 December 2019, but have included consideration of its impact in the strategic report.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.