

Registered number: 08526821

ELUCIDAT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



ELUCIDAT LIMITED

COMPANY INFORMATION

Directors	Paul Bosson Ian Budden Stuart Dawson Simon Greany Stephen Penfold Amir Abdou
Registered number	08526821
Registered office	22-23 Kensington Street Brighton East Sussex BN1 4AJ
Independent auditors	Crowe U.K. LLP 49 - 51 Aquis House Blagrove Street Reading RG1 1PL

ELUCIDAT LIMITED

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ELUCIDAT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Business review and Key Performance Indicators

The Company has developed its strategy to grow its client base within the US, as well as through indirect strategic partnerships. Revenue for the year to 31 December 2020 was £3.0m, compared with £1.4m for the seven month period ended 31 December 2019.

Annual recurring revenue in 2020 has grown by 42% largely driven by significant growth in existing client accounts, with net retention rate growing to 113%, along with good growth in new business sales during a difficult trading period due to COVID-19.

Losses before interest, tax, depreciation and amortisation increased from £0.2m for the seven month period ended 31 December 2019 to £0.4m for the year to 31 December 2020, driven mainly by increases in staff costs.

Cash at 31 December 2020 was £2.5m which includes £1.0m raised in December 2020 from a convertible loan note.

In November 2020, the Company signed a major partnership agreement with a French reseller which is expected to deliver significant revenue in 2021 and beyond.

Key performance indicators for the business are:

	12 months to 31 Dec 2020	7 months to 31 Dec 2019
Annual Recurring Revenue	£3.3m	£2.3m
Gross ARR Churn Rate (trailing three months)	14%	18%
Net retention rate (trailing three months)	113%	97%
Losses before interest, tax, depreciation and amortisation	(£0.4m)	(£0.2m)
Cash at bank	£2.5m	£2.7m

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group and hence for

ELUCIDAT LIMITED

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

taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity is to provide an e-learning authoring platform and supporting services. We aim to help build more successful, more ethical businesses through people-centered training.

Directors

The directors who served during the year were:

Paul Bosson
Ian Budden
Stuart Dawson
Simon Greany
Stephen Penfold
Amir Abdou

Future developments

During the next financial year the company will continue driving revenue growth through a combination of new business sales, and sales to existing clients through the provision of market leading services, new product features and continued innovation. The company will continue to invest in order to support expansion in the US and to support strategic partnerships.

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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

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

This report was approved by the board on 25/05/21 and signed on its behalf.

Steve Penfold

Stephen Penfold
Director

ELUCIDAT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELUCIDAT LIMITED

Opinion

We have audited the financial statements of Elucidat Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets 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 Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's 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 Group 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

ELUCIDAT LIMITED

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

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Group strategic report.

ELUCIDAT LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 1, 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 Group's and the parent 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 Group or the parent 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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks included sample testing of income across the year to agree to supporting documentation, and testing income received either side of the year end to ensure this has been recognised correctly.

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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

ELUCIDAT LIMITED

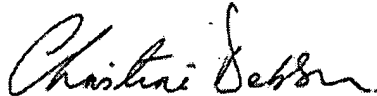
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELUCIDAT LIMITED (CONTINUED)

Other matter

We draw attention to the fact that the corresponding figures presented with these financial statements are unaudited. Our opinion is modified in respect of this matter.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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, as a body, for our audit work, for this report, or for the opinions we have formed.



Christine Dobson (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

49 - 51 Aquis House
Blagrove Street
Reading
RG1 1PL
Date: 25 May 2021

ELUCIDAT LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	31 December 2020 £	<i>unaudited 7 month period</i> 31 December 2019 £
Note		
Turnover	2,997,334	1,418,432
Cost of sales	(422,101)	(115,777)
Gross profit	2,575,233	1,302,655
Administrative expenses	(2,985,752)	(1,492,168)
Earnings before interest, tax, depreciation & amortisation	(410,519)	(189,513)
Exceptional items	(50,959)	(60,036)
Depreciation & amortisation	(460,395)	(164,055)
Interest receivable and similar income	1,793	3,587
Loss before taxation	(920,080)	(410,017)
Tax on loss	204,677	5,000
Loss for the financial year	(715,403)	(405,017)
Total comprehensive income for the year	(715,403)	(405,017)
(Loss) for the year attributable to:		
Owners of the parent Company	(715,403)	(405,017)
	(715,403)	(405,017)
Total comprehensive income for the year attributable to:		
Owners of the parent Company	(715,403)	(405,017)
	(715,403)	(405,017)

The notes on pages 12 to 25 form part of these financial statements.

ELUCIDAT LIMITED
REGISTERED NUMBER: 08526821

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	<i>unaudited</i> 2019 £
Fixed assets			
Intangible assets	6	1,839,569	1,219,888
Tangible assets	7	38,716	49,697
		<u>1,878,285</u>	<u>1,269,585</u>
Current assets			
Debtors: amounts falling due within one year	9	1,473,668	943,339
Cash at bank and in hand	10	2,472,740	2,696,116
		<u>3,946,408</u>	<u>3,639,455</u>
Creditors: amounts falling due within one year		<u>(2,063,281)</u>	<u>(1,570,960)</u>
Net current assets		<u>1,883,127</u>	<u>2,068,495</u>
Total assets less current liabilities		<u>3,761,412</u>	<u>3,338,080</u>
Creditors: amounts falling due after more than one year	12	(1,000,000)	
Provisions for liabilities			
Deferred tax	14	(355,671)	(215,000)
		<u>(355,671)</u>	<u>(215,000)</u>
Net assets		<u>2,405,741</u>	<u>3,123,080</u>
Capital and reserves			
Called up share capital		253	256
Share premium account		3,524,862	3,524,862
Profit and loss account		(1,119,374)	(402,038)
		<u>2,405,741</u>	<u>3,123,080</u>

ELUCIDAT LIMITED
REGISTERED NUMBER: 08526821

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
25/05/21

Steve Penfold

Stephen Penfold
Director

The notes on pages 12 to 25 form part of these financial statements.

ELUCIDAT LIMITED
REGISTERED NUMBER: 08526821

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	6	1,839,569	1,219,888
Tangible assets	7	33,561	44,412
Investments	8	81	81
		<u>1,873,211</u>	<u>1,264,381</u>
Current assets			
Debtors: amounts falling due within one year	9	1,522,575	1,175,552
Cash at bank and in hand	10	2,419,001	2,492,824
		<u>3,941,576</u>	<u>3,668,376</u>
Creditors: amounts falling due within one year		<u>(2,046,236)</u>	<u>(1,576,149)</u>
Net current assets		<u>1,895,340</u>	<u>2,092,227</u>
Total assets less current liabilities		<u>3,768,551</u>	<u>3,356,608</u>
Creditors: amounts falling due after more than one year	12	(1,000,000)	
Provisions for liabilities			
Deferred taxation	14	(355,671)	(215,000)
		<u>(355,671)</u>	<u>(215,000)</u>
Net assets		<u><u>2,412,880</u></u>	<u><u>3,141,608</u></u>
Capital and reserves			
Called up share capital		261	261
Share premium account		3,524,862	3,524,862
Profit and loss account brought forward		(383,515)	2,979
Loss for the year		(728,728)	(386,494)
Profit and loss account carried forward		(1,112,243)	(383,515)
		<u><u>2,412,880</u></u>	<u><u>3,141,608</u></u>

ELUCIDAT LIMITED
REGISTERED NUMBER: 08526821

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

Steve Penfold 25/05/21

Stephen Penfold
Director

The notes on pages 12 to 25 form part of these financial statements.

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Elucidat Ltd is a private company, limited by shares, incorporated in England & Wales, registered number 08526821. The registered office is 22-23 Kensington Street, Brighton, BN1 4AJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

As at 31 December 2019 the group and company was exempt from the requirement to prepare consolidated financial statements as it met the requirement under the small companies regime under the Companies Act 2006. Consequently the comparatives are unaudited. However audited financial statements for the company Elucidat Limited for the period ending 31 December 2019 are available from Company's House.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

At 31 December 2020 the company had a net cash position of £2.4m (2019: £2.5m). The directors consider these to be adequate cash reserves and that the company has no requirement for external finance. The directors have prepared forecasts for a period of at least 12 months from the date of approval of the financial statements. In making their assessment the directors have considered the impact on the business of Covid-19, including the ability of the company to continue to service customers, the impact on future revenues and cash collections and the financial position of the company.

After reviewing these forecasts and having made the appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the financial statements

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.4 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.

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

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in the Consolidated statement of comprehensive income.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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

- a clear contractual arrangement can be evidenced;
- delivery has been made in accordance with that contract;
- if required, contractual acceptance has been met; and
- the fee has been agreed and collectability is probable.

Subscription license revenue is recognised once the above conditions have been met. Subscription license revenue fees are recognised evenly on a straight line basis over the length of each subscription, which is typically 12 months.

Professional services revenue is delivered under separate service agreements and revenue is recognised on delivery of the relevant service.

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

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

2.7 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 is 5 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.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 balance sheet date in the countries where the Company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	5	years
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ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.13 Tangible fixed assets

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

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

The estimated useful lives range as follows:

Office equipment	- 25%
Computer equipment	- 33%

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 profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 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.

2.16 Cash and cash equivalents

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

2.17 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.

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.19 Financial instruments

The Group 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 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.

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.20 Dividends

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

2.21 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet 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 profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

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

The preparation of financial statements in compliance with FRS 102 requires the disclosure of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies. In preparing these financial statements, the directors have made the following judgements:

Useful life of intangible assets and impairment review

The directors establish a reliable useful life of intangible assets. This estimate is based on the expected useful life of the asset and the predicted life of a product. 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.

At each reporting period end date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

4. Employees

The average monthly number of employees, including directors, during the year was 48 (2019 - 45).

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Exceptional items

	31 December 2020 £	<i>unaudited 7 month period</i> 31 December 2019 £
Exceptional items	50,959	60,036
	<u>50,959</u>	<u>60,036</u>

Exceptional items in the year 31 December 2020 relate to staff restructuring costs (£22k) and professional and legal fee for YFM convertible loan notes (£29k). In the period ending 31 December 2019 the exceptional items relate to costs associated with the share capital issued under the investment agreement dated 7 May 2019.

6. Intangible assets

Group and Company

	Development expenditure £
Cost	
At 1 January 2020	1,664,114
Additions	1,051,430
At 31 December 2020	<u>2,715,544</u>
Amortisation	
At 1 January 2020	444,226
Charge for the year on owned assets	431,749
At 31 December 2020	<u>875,975</u>
Net book value	
At 31 December 2020	<u>1,839,569</u>
At 31 December 2019	<u>1,219,888</u>

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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7. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2020	17,882	77,894	95,776
Additions	1,823	13,776	15,599
Disposals	-	(693)	(693)
At 31 December 2020	<u>19,705</u>	<u>90,977</u>	<u>110,682</u>
Depreciation			
At 1 January 2020	12,028	34,051	46,079
Charge for the year on owned assets	3,700	22,880	26,580
Disposals	-	(693)	(693)
At 31 December 2020	<u>15,728</u>	<u>56,238</u>	<u>71,966</u>
Net book value			
At 31 December 2020	<u>3,977</u>	<u>34,739</u>	<u>38,716</u>
At 31 December 2019	<u>5,854</u>	<u>43,843</u>	<u>49,697</u>

ELUCIDAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. Tangible fixed assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2020	17,882	70,544	88,426
Additions	1,823	13,906	15,729
Disposals	-	(693)	(693)
At 31 December 2020	<u>19,705</u>	<u>83,757</u>	<u>103,462</u>
Depreciation			
At 1 January 2020	12,028	31,986	44,014
Charge for the year on owned assets	3,700	22,880	26,580
Disposals	-	(693)	(693)
At 31 December 2020	<u>15,728</u>	<u>54,173</u>	<u>69,901</u>
Net book value			
At 31 December 2020	<u>3,977</u>	<u>29,584</u>	<u>33,561</u>
At 31 December 2019	<u>5,854</u>	<u>38,558</u>	<u>44,412</u>

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	81
At 31 December 2020	81

The company incorporated a subsidiary based in the US called Elucidat Inc in the period ending 31 December 2019.

9. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	790,885	491,292	790,885	491,292
Amounts owed by group undertakings	-	-	53,542	235,645
Other debtors	33,403	21,608	33,403	18,176
Prepayments and accrued income	83,727	49,858	79,092	49,858
Tax recoverable	565,653	380,581	565,653	380,581
	1,473,668	943,339	1,522,575	1,175,552

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

10. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	2,472,740	2,696,116	2,419,001	2,492,824
	2,472,740	2,696,116	2,419,001	2,492,824

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**NOTES TO THE FINANCIAL STATEMENTS
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11. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	51,648	27,087	45,764	32,276
Other taxation and social security	126,473	84,814	126,473	84,814
Other creditors	2,834	41,698	2,834	41,698
Accruals and deferred income	1,882,326	1,417,361	1,871,165	1,417,361
	<u>2,063,281</u>	<u>1,570,960</u>	<u>2,046,236</u>	<u>1,576,149</u>

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Loan notes	1,000,000	-	1,000,000	-
	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>

13. Loans

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due 1-2 years				
Loan notes	1,000,000	-	1,000,000	-
	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>

The 5 year convertible loan notes were issued in December 2020. Interest accrues on the principal amount of £1,000,000 at 5.0% per annum, payable in arrears. The debt is convertible into 1 million £1 ordinary shares in Elucidat Limited from 1 January 2025.

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. Deferred taxation

Group and Company

	2020 £
At beginning of year	(215,000)
Charged to profit or loss	(140,671)
At end of year	(355,671)

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	(355,671)	(215,000)	(355,671)	(215,000)
	<u>(355,671)</u>	<u>(215,000)</u>	<u>(355,671)</u>	<u>(215,000)</u>

15. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £26,973 (2019: £23,645). There were no contributions outstanding at the end of this period or the prior year.

16. Commitments under operating leases

At 31 December 2020 the Group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Group and Company		
Not later than 1 year	45,000	45,000
Later than 1 year and not later than 5 years	7,500	52,500
	<u>52,500</u>	<u>97,500</u>

ELUCIDAT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. Related party transactions

At the year end, Elucidat Limited owed £nil (2019: £40,000) to one of the directors.

In the period ending 31 December 2019 and 31 December 2020, one director had been granted options under the Elucidat Limited Share Option Plan. No options had been exercised in either of these periods.

The company has taken advantage of the FRS 102 exemption not to disclose transactions with other members of the group.

18. Controlling party

Elucidat Limited is owned by a number of shareholders and individually no shareholder is able to exert control.