



Simulate material. Deliver results.

# DEM Solutions Limited

*Registered Number SC240438*

## Consolidated Financial Statements For the Year Ending 30 June 2019



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## **Company information**

<b>Directors</b>	JG Grant
	AJ Bull (Appointed March 2019)
	RD LaRoche (Resigned March 2019)
	JD Ooi
	HJP Stewart
	BL Taylor
	WI Williamson

<b>Secretary</b>	JG Grant
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<b>Registered office</b>	1 Rutland Court Edinburgh EH3 8FL
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<b>Registered number</b>	SC240438
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<b>Auditors</b>	MHA Henderson Loggie 11-15 Thistle Street Edinburgh EH2 1DF
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<b>Principal Bankers</b>	Clydesdale Bank Plc 19 Stuart Street East Kilbride G74 4NF
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<b>Principal Solicitors</b>	Dickson Minto 16 Charlotte Square Edinburgh EH2 4DF
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## **Group directors' report**

The directors submit the financial statements for the year ended 30 June 2019. DEM Solutions Ltd had another excellent year of growth in financial terms, product and market reach and symbiotic partner relationships.

## **Principal activities and review of business**

The principal activity of the group is to develop and deploy state-of-the-art software technologies to equip our customers to design and optimize their products and processes involving bulk materials.

## **Financial review**

This is the 3rd year of reporting the Group's Annual Report under the Financial Reporting Standard 102 (FRS102) and revenues for our flagship technology EDEM, grew 18% to £4,505,403 up from £3,825,845 in 2018. The Group has invested £816,136 in research and development, up £149,410 from 2018. The Group has posted a loss of £425,372 (2018: Loss £162,446) after charging £137,718 of non-recurring items to the Profit and Loss Account and establishing a share based payments reserve of £235,892. The balance sheet of the Group includes a deferred income pool of £692,129, in compliance with FRS102, and has net assets of £581,685.

## **Product, market and partners review**

The 2019 release of our flagship software EDEM continues to harness the latest GPU technology to enable users to run larger and more advanced simulations faster. In parallel, innovative features and tools have been introduced including a Python library for easier post-processing of large amounts of data, the ability to simulate deformable geometries as well as a new breakage model.

A new release of BulkSim has been developed which enables engineers to evaluate and verify the design performance of transfer points and chutes, used in mine operations and minerals processing plants. This release includes a new user interface for quick simulation set-up and an intuitive workflow, including access to the Generic EDEM Material Model Database and to the GPU.

We have further extended our reach by signing an agreement with MotionPort to be an EDEM distributor for co-simulation with RecurDyn multibody dynamics software in the USA and Canada. We established a subsidiary, EDEM Korea LLC, which enables us to enhance our support to an ever increasing customer base in south Asia.

## **Personnel and organisation**

Our average headcount expanded from 36 to 40, across sales, technical and development and we now boast an even larger and uniquely qualified workforce across the United Kingdom, United States of America, Japan and South Korea.

Ian Williamson succeeded Richard LaRoche, who stepped down as Chief Executive Officer after four years in the role and Andrew Bull joined as Chief Technical Officer to help shape the future of EDEM technology and support the company's vision.

## **Outlook**

The directors believe that the Group remains in a strong position to exploit and expand its technology, reaching a greater market that will deliver and accelerate growth through 2020 and beyond.

## **Group directors' report (continued)**

### **Conclusion**

The Group has enjoyed positive growth in its technology and markets and has the necessary funding and expertise available to further improve its position.

### **Directors**

The directors during the year under review were (in alphabetical order):

AJ Bull	Appointed March 2019
JG Grant	
RD LaRoche	Resigned March 2019
JY Ooi	
HJP Stewart	
BL Taylor	
WI Williamson	

The beneficial interests of the directors are detailed in note 18 to the accounts. During the year, the group purchased indemnity insurance in favour of the directors.

### **Directors' responsibilities**

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. 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 group and company and of the profit or loss of the group for the period. In preparing those financial statements, the directors are required to:-


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website.

At the time of approving this report, the directors are aware of no relevant audit information of which the group's auditors are unaware and have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor are aware of that information.

The group directors' report is prepared in accordance with special provisions of Part 15 of the Companies Act relating to small companies.

By order of the board on 25 October 2019 

JG Grant  
Director

## **Independent Auditors Report to the Shareholders of DEM Solutions Limited**

### **Opinion**

We have audited the financial statements of DEM Solutions Limited (the 'company') for the year ended 30 June 2019 which comprise the group profit and loss account, the group and company Balance Sheet, the group and company Statement of Changes in Equity and notes to the financial statements, 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 FRS 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 the parent company's affairs as at 30 June 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 Auditor's 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 UK, including the FRC'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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent auditors' report to the shareholders of DEM Solutions Limited (continued)**

### **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 Directors' Report.

We have nothing to report in respect of the following matters where 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; 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 exemption from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, 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.

### **Auditor's 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 auditor's 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**James Davidson (Senior Statutory Auditor)**

For and on behalf of  
MHA Henderson Loggie  
Chartered Accountants  
Statutory Auditor  
11 - 15 Thistle Street  
Edinburgh  
EH2 1DF

Date 29 October 2019

**Group profit and loss account**

		Operating Activities	Non Recurring Items		
	<i>Notes</i>	2019 £	2019 £	2019 £	2018 £
<b>Turnover</b>	<i>1, 2, 3</i>	4,505,403	-	4,505,403	3,825,845
Cost of sales		(1,028,203)	-	(1,028,203)	(769,267)
<b>Gross profit</b>		<u>3,477,200</u>	<u>-</u>	<u>3,477,200</u>	<u>3,056,578</u>
Other operating income	<i>4</i>	248,778	-	248,778	201,058
Development, Support and Administrative expenses		(2,925,994)	(137,718)	(3,063,712)	(2,717,669)
Share Based Payment	<i>17</i>	(235,892)	-	(235,892)	-
Research and Development Costs		(816,136)	-	(816,136)	(666,726)
<b>Operating Profit/(Loss)</b>	<i>4</i>	<u>(252,044)</u>	<u>(137,718)</u>	<u>(389,762)</u>	<u>(126,759)</u>
Interest received		-	-	-	-
Interest payable and similar charges		(3,446)	-	(3,446)	(2,643)
<b>Profit/ (Loss) on ordinary activities before taxation</b>		<u>(255,490)</u>	<u>(137,718)</u>	<u>(393,208)</u>	<u>(129,402)</u>
Tax on ordinary activities	<i>7</i>	(32,164)	-	(32,164)	(33,044)
<b>Profit / (Loss) for the financial year after taxation</b>		<u><u>(287,654)</u></u>	<u><u>(137,718)</u></u>	<u><u>(425,373)</u></u>	<u><u>(162,446)</u></u>

The results for 2018 are derived from operating activities and non-recurring items.



**Group balance sheet**  
**at 30 June 2019**

	<i>Notes</i>	<b>2019</b> £	<b>2019</b> £	<b>2018</b> £	<b>2018</b> £
<b>Fixed assets</b>					
Tangible assets	9		208,809		188,202
Intangible assets	10		23,920		16,636
<b>Current assets</b>					
Debtors	12	1,864,024		1,668,085	
Cash at bank and in hand		297,354		280,712	
		<u>2,161,378</u>		<u>1,948,798</u>	
Creditors: amounts falling due within one year	13	(1,757,390)		(1,428,602)	
Net current assets			403,988		520,195
Total assets less current liabilities			636,717		725,033
Creditors: amounts due after more than one year	14		(55,032)		(33,990)
<b>Net assets</b>			<u>581,685</u>		<u>691,043</u>
<b>Capital and reserves</b>					
Called up share capital	15		4,366		4,256
Share premium account			3,506,027		3,445,977
Shared based payment reserve	17		235,892		-
Profit and loss account			(3,164,882)		(2,754,850)
Foreign exchange reserve			282		(4,340)
<b>Shareholders' funds</b>			<u>581,685</u>		<u>691,043</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

They were approved and authorised for issue by the board of directors on 25th October 2019 and were signed on their behalf by

JG Grant  
Director



Registered number SC240438

The notes on pages 9 to 21 form part of these financial statements

**Company balance sheet**  
**at 30 June 2019**

	<i>Notes</i>	<b>2019</b> £	<b>2019</b> £	<b>2018</b> £	<b>2018</b> £
<b>Fixed assets</b>					
Tangible assets	9		195,790		187,678
Intangible assets	10		23,920		16,636
Investments	11		75,423		7,653
<b>Current assets</b>					
Debtors	12	1,641,288		1,622,487	
Cash at bank and in hand		89,894		103,535	
		<u>1,731,182</u>		<u>1,726,022</u>	
Creditors:					
amounts falling due within one year	13	(1,519,624)		(1,187,290)	
Net current assets			211,558		538,732
Total assets less current liabilities			<u>506,691</u>		<u>750,699</u>
Creditors:					
amounts due after more than one year	14		(55,032)		(33,990)
Net assets			<u>451,659</u>		<u>716,709</u>
Capital and reserves					
Called up share capital	15		4,366		4,256
Share premium account			3,506,027		3,445,977
Shared based payment reserve	17		235,892		-
Profit and loss account			(3,294,626)		(2,733,524)
Foreign exchange reserve			-		-
Shareholders' funds			<u>451,659</u>		<u>716,709</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

They were approved and authorised for issue by the board of directors on 25th October 2019 and were signed on behalf by

JG Grant  
Director



Registered number SC240438  
The notes on pages 9 to 21 form part of these financial statements

**Statement of Changes in Equity**

<b>Group</b>	<b>Foreign Exchange Reserve £</b>	<b>Called Up Share Capital £</b>	<b>Share Premium £</b>	<b>Share Based Payment Reserve £</b>	<b>Profit &amp; Loss Account £</b>	<b>Shareholders Funds £</b>
At 1 July 2017	(2,713)	4,226	3,423,447	-	(2,601,755)	823,205
Profit and Loss Account for the year	-	-	-	-	(162,446)	(162,446)
Share Based Payment Expense	-	-	-	-	-	-
New Shares Issued	-	30	22,530	-	-	22,560
Exchange Differences	(1,627)	-	-	-	9,352	7,725
At 30 June 2018	(4,340)	4,256	3,445,977	-	(2,754,850)	691,043
Profit and Loss Account for the year	-	-	-	-	(425,373)	(425,373)
Share Based Payment Expense	-	-	-	235,892	-	235,892
New Shares Issued	-	110	60,050	-	-	60,160
Exchange Differences	4,622	-	-	-	15,341	19,963
At 30 June 2019	<u>282</u>	<u>4,366</u>	<u>3,506,027</u>	<u>235,892</u>	<u>(3,164,882)</u>	<u>581,685</u>

<b>Company</b>	<b>Foreign Exchange Reserve £</b>	<b>Called Up Share Capital £</b>	<b>Share Premium £</b>	<b>Share Based Payment Reserve £</b>	<b>Profit &amp; Loss Account £</b>	<b>Shareholders Funds £</b>
At 1 July 2017	-	4,226	3,423,447	-	(2,535,618)	892,055
Profit and Loss Account for the year	-	-	-	-	(197,906)	(197,906)
Share Based Payment Expense	-	-	-	-	-	-
New Shares Issued	-	30	22,530	-	-	22,560
Exchange Differences	-	-	-	-	-	-
At 30 June 2018	-	4,256	3,445,977	-	(2,733,524)	716,709
Profit and Loss Account for the year	-	-	-	-	(561,102)	(561,102)
Share Based Payment Expense	-	-	-	235,892	-	235,892
New Shares Issued	-	110	60,050	-	-	60,160
Exchange Differences	-	-	-	-	-	-
At 30 June 2019	<u>-</u>	<u>4,366</u>	<u>3,506,027</u>	<u>235,892</u>	<u>(3,294,626)</u>	<u>451,659</u>

## **Notes to the financial statements**

### **1 Accounting policies**

DEM Solutions Limited is a private company limited by shares incorporated in Scotland.

The registered office is stated at page 1.

#### ***Accounting convention***

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") section 1a and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company.

Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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

#### ***Going concern***

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### ***Turnover***

Turnover represents invoiced sales of goods and services, excluding VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services is recognised in accordance with contractual rights to the extent that the service has been delivered. Where payments are received from the customer in advance of goods or services being provided, the amounts are recorded as deferred income and included as part of creditors due within 1 year.

#### ***Grants received***

Grants received in the year are credited to the profit and loss account and are included in other income.

#### ***Research and development***

Research expenditure is written off in the year of expenditure. Development expenditure incurred on individual projects may be carried forward when its future recoverability can be foreseen with reasonable assurance, and amortised in line with the sales from the related project. All other development expenditure is written off in the year of expenditure.

#### ***Taxation***

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Fixed assets including intangibles*

Tangible and intangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Furniture and fittings	5%-20%
Computer equipment	33%
Patents	10%

#### *Financial instruments*

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

#### *Basic financial assets*

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### *Basic financial liabilities*

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### ***Equity instruments***

Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### ***Employee benefits***

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is committed to terminate the employment of an employee or to provide termination benefits.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### ***Pensions***

The group operates a defined contribution pension scheme. Pension costs represent the amounts payable by the group to the funds in respect of the year. The assets of the schemes are held separately from those of the group in independently administered funds.

#### ***Leases***

Assets acquired under hire purchase contracts or finance leases are capitalised and outstanding lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***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.

The company has taken advantage of the transitional exemption available in FRS102 to not carry share options granted before the start of the first reporting period in which the entity adopts FRS102 at fair value.

The grant date fair value of options is estimated using a Black-Scholes option valuation model. This Black-Scholes option valuation model requires the use of assumptions, including expected stock price volatility, the estimated life of each award and the estimated dividend yield. The risk-free interest rate used in the model is determined based upon the zero-coupon UK Government bonds with a redemption period in line with the expected term of the option.

**Notes to the financial statements (continued)**

**2 Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Determination of the recoverability of the deferred tax asset using forecast future financial performance projections.
- Determination of whether leases entered into by the group as a lessee are operating or finance leases.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on future market conditions, the remaining life of the asset and projected disposal values.

These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

**3 Turnover**

95% (2018: 93%) of turnover was from non-UK markets.

**4 Group operating loss**

The operating loss is stated after:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Crediting:				
Grants received	15,778	14,725	15,778	14,725
Rental income	-	-	-	-
Research and Development Tax Credits	233,000	186,333	233,000	186,333
	<u>248,778</u>	<u>201,058</u>	<u>248,778</u>	<u>201,058</u>
And charging:				
Depreciation - owned assets	48,453	35,654	47,363	35,566
- financed assets	12,892	6,834	12,892	6,247
Auditors' remuneration - audit	12,380	14,120	12,380	14,120
- other	5,000	9,165	5,000	9,165
Share Based Payment Expense	235,892	-	235,892	-
Non recurring items	<u>137,718</u>	<u>174,724</u>	<u>137,718</u>	<u>174,724</u>

Non-recurring items include one-off restructuring of the organisation, relocating our main Edinburgh office and a special project to examine how best to exploit our strategic position.

**5 Interest receivable**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Interest on bank	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the financial statements (continued)**

**6 Directors and employees**

**Employees**

The group operates a defined contribution pension scheme and staff pension costs for the year were £86,017 (2018: £76,807).

The outstanding contributions to the pension scheme at 30 June 2019 are £6,415 (2018: £9,892).

**Average employee numbers**

The average employee numbers were as follows:

	<b>2019</b>	<b>2018</b>
Group	<u><b>40</b></u>	<u><b>36</b></u>
Company	<u><b>34</b></u>	<u><b>32</b></u>

<b>Directors' emoluments</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fees paid to third parties for directors services	<b>73,200</b>	71,900	<b>73,200</b>	71,900
Remuneration for management services	<b>620,044</b>	485,104	<b>430,847</b>	297,440
Pension contributions	<u><b>27,560</b></u>	<u>23,205</u>	<u><b>19,992</b></u>	<u>15,698</u>
	<u><b>720,804</b></u>	<u>580,209</u>	<u><b>524,039</b></u>	<u>385,038</u>

Retirement benefits are accruing to 3 (2018: 3) directors under a money purchase scheme.

The remuneration of the highest paid director was £189,197 (2018: £187,664).

The leadership team, is considered to be key management and the total remuneration and benefits paid in the year was £539,982 (2018: 516,230).

**7 Tax on profit on ordinary activities**

There was no liability to UK corporation tax for the twelve month period to 30 June 2019 (2018: Nil).

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Foreign corporation tax</b>		
Current year	<u><b>1,888</b></u>	<u>4,734</u>
<b>Total</b>	<u><b>1,888</b></u>	<u><b>4,734</b></u>
<b>Deferred tax UK</b>		
Origination and reversal of timing differences	<b>1,868</b>	28,310
Change in tax rates		
of deferred tax arising in previous periods	<u><b>28,408</b></u>	<u>-</u>
Total deferred tax	<u><b>30,276</b></u>	<u><b>28,310</b></u>
<b>Tax on profit on ordinary activities</b>	<u><b>32,164</b></u>	<u><b>33,044</b></u>



**Notes to the financial statements (continued)**

**7 Tax on profit on ordinary activities (continued)**

*Deferred taxation UK*

There are tax losses of £1,608,315 (gross) available for carry forward against future trading profits offset by £187,966 of accelerated capital allowances; The directors have considered it reasonable, given the visibility of future trading to carry £241,459 to the balance sheet at the year end, based upon a current prevailing tax rate of 17%.

**8 Profit attributable to members of the holding company**

	2019	2018
	£	£
Dealt with in the financial statements of the holding company	(561,102)	(197,907)
Retained by subsidiary companies	135,730	35,460
	<u>(425,372)</u>	<u>(162,447)</u>

**9 Tangible fixed assets**

<b>Group</b>	<b>Furniture &amp; fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
At 1 July 2018	184,680	148,291	332,971
Exchange Rate	12	580	592
Disposals	(25,297)	(2,524)	(27,821)
Additions	10,674	70,862	81,536
At 30 June 2019	<u>170,069</u>	<u>217,209</u>	<u>387,278</u>
<b>Depreciation</b>			
At 1 July 2018	(42,122)	(102,650)	(144,772)
Exchange Rate	(12)	(161)	(173)
Disposals	25,297	2,524	27,821
Charge for the year	(26,275)	(35,070)	(61,345)
At 30 June 2019	<u>(43,112)</u>	<u>(135,357)</u>	<u>(178,469)</u>
<b>Net book value</b>			
At 30 June 2019	<u>126,957</u>	<u>81,852</u>	<u>208,809</u>
At 30 June 2018	<u>142,558</u>	<u>45,641</u>	<u>188,200</u>

## Notes to the financial statements (*continued*)

### 9 Tangible fixed assets (*continued*)

The figures stated above include assets held under hire purchase contracts as follows:

	<b>Furniture &amp; fittings</b>	<b>Computer equipment</b>	<b>Total</b>
<i>Net book value</i>	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 30 June 2019</b>	<b>15,416</b>	<b>51,823</b>	<b>67,239</b>
At 30 June 2018	17,030	8,763	25,793
 <i>Depreciation</i>			
<b>For the year ended 30 June 2019</b>	<b>1,762</b>	<b>11,130</b>	<b>12,892</b>
For the year ended 30 June 2018	587	6,247	6,834
 <b>Company</b>	<b>Furniture &amp; fittings</b>	<b>Computer equipment</b>	<b>Total</b>
<i>Cost</i>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 July 2018	184,410	144,841	329,251
Net Additions	10,674	57,693	68,367
Disposals	(25,297)	(2,524)	(27,821)
At 30 June 2019	169,787	200,010	369,797
 <i>Depreciation</i>			
At 1 July 2018	(41,851)	(99,723)	(141,574)
Charge for the year	(26,275)	(33,980)	(60,255)
Disposals	25,297	2,525	27,822
At 30 June 2019	(42,829)	(131,178)	(174,007)
 <i>Net book value</i>			
<b>At 30 June 2019</b>	<b>126,958</b>	<b>68,832</b>	<b>195,790</b>
At 30 June 2018	142,558	45,118	187,676

The figures stated above include assets held under hire purchase contracts as follows:

	<b>Furniture &amp; fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<i>Net book value</i>			
<b>At 30 June 2019</b>	<b>15,416</b>	<b>51,823</b>	<b>67,239</b>
At 30 June 2018	17,030	8,763	25,793
 <i>Depreciation</i>			
<b>For the year ended 30 June 2019</b>	<b>1,762</b>	<b>11,130</b>	<b>12,892</b>
For the year ended 30 June 2018	587	6,247	6,834

**Notes to the financial statements (continued)**

**10 Intangible fixed assets**

**Group & company**

	<b>Patents</b>	<b>Total</b>
<b>Cost</b>	<b>£</b>	<b>£</b>
At 1 July 2018	18,693	18,693
Exchange Rate	-	-
Disposals	-	-
Additions	8,970	8,970
At 30 June 2019	<u>27,663</u>	<u>27,663</u>
 <b>Depreciation</b>		
At 1 July 2018	(2,057)	(2,057)
Exchange Rate	-	-
Disposals	-	-
Additions	(1,686)	(1,686)
At 30 June 2019	<u>(3,743)</u>	<u>(3,743)</u>
 <b>Net book value</b>		
At 30 June 2019	<u><u>23,920</u></u>	<u><u>23,920</u></u>
At 30 June 2018	<u><u>16,636</u></u>	<u><u>16,636</u></u>

**Notes to the financial statements (continued)**

11	Fixed Asset Investments	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
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***Shares in group undertakings***

Cost at beginning of year	-	-	7,653	7,653
Additions	-	-	67,770	-
Cost at end of year	-	-	75,423	7,653

***Holdings of 20% or more***

The company holds 20% or more of the share capital of the following companies:

<i>Company</i>	<i>Country of registration</i>	<i>Shares held</i>	<i>%</i>
<u><i>Subsidiary undertakings</i></u>	<u><i>or incorporation</i></u>	<u><i>Class</i></u>	
DEM Solutions (USA) Inc	USA	Ordinary	100
DEM Solutions (Japan) KK	Japan	Ordinary	100
EDEM Korea LLC	South Korea	Ordinary	100

DEM Solutions (USA) Inc latest accounting date was 30 June 2019

DEM Solutions (Japan) KK latest accounting date was 30 June 2019

EDEM Korea LLC latest accounting date was 30 June 2019

<i>Company</i>	<i>Principal</i>	<i>Capital</i>	<i>Profit/(Loss)</i>
<u><i>Subsidiary undertakings</i></u>	<u><i>Activity</i></u>	<u><i>&amp; reserves</i></u>	<u><i>for the year</i></u>
DEM Solutions (USA) Inc	Provision of simulation software	(41,418)	136,677
DEM Solutions (Japan) KK	Provision of simulation software	182,853	40,821
EDEM Korea LLC	Provision of simulation software	15,333	(41,769)

**12 Debtors**

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	1,228,339	1,079,241	851,383	820,493
Amounts owed by group undertakings	-	-	165,979	212,312
Prepayments	148,516	106,067	134,951	106,067
Deferred tax asset (Note 7)	241,459	271,734	241,459	271,734
VAT recoverable	12,748	13,020	15,808	13,020
Withheld Tax	-	10,490	-	12,528
Corporation tax	232,962	187,533	231,708	186,332
	<u>1,864,024</u>	<u>1,668,085</u>	<u>1,641,288</u>	<u>1,622,486</u>

**Notes to the financial statements (continued)**

**13 Creditors: Amounts falling within one year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	364,846	228,837	364,846	228,837
Trade creditors	70,818	141,969	44,860	116,981
Obligations under finance leases	23,986	7,623	23,986	7,624
Social security and other taxes	95,977	80,345	53,510	48,464
VAT payable	-	47,546	-	-
Deferred income	692,129	553,775	594,871	494,846
Foreign corporation tax	3,038	-	305	-
Accruals	506,596	368,507	437,246	290,538
	<u>1,757,390</u>	<u>1,428,602</u>	<u>1,519,624</u>	<u>1,187,290</u>

Actual group borrowings are secured by fixed and floating charges over the undertaking and the assets, including uncalled capital of each company. Bank loan is drawn under an open ended invoice finance facility.

**14 Creditors: Amounts falling due after more than one year**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Obligations under finance leases	37,142	16,100	37,142	16,100
Provisions	17,890	17,890	17,890	17,890
	<u>55,032</u>	<u>33,990</u>	<u>55,032</u>	<u>33,990</u>

<b>Analysis of debt under finance leases</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts payable within one year	23,986	7,623	23,986	7,623
Amounts payable between one to two years	37,142	16,100	37,142	16,100
	<u>61,128</u>	<u>23,723</u>	<u>61,128</u>	<u>23,723</u>

**Notes to the financial statements (continued)**

**15 Called up equity share capital**

	<b>Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<i>Allotted</i>		
150,447 Fully paid "B" Ordinary shares £0.01	<b>1,504</b>	1,504
133,000 Fully paid "A" Ordinary shares £0.01	<b>1,330</b>	1,330
150,200 Fully paid Ordinary £0.01 shares	<b>1,502</b>	1,422
	<hr/>	<hr/>
	<b>4,336</b>	<b>4,256</b>
	<hr/>	<hr/>

The equity share capital of the Company is divided into B Ordinary Shares, A Ordinary Shares and Ordinary Shares. All classes of shares rank equally as to dividends. All classes of shares rank equally in respect of voting at general meetings, save that the B Ordinary Shares and A Ordinary Shares carry rights of prior approval as regards specified matters including (but not limited to): (i) any distribution of income or capital; (ii) any alterations to the Company's memorandum or articles of association; or (iii) any variation of the rights attaching to any shares in the capital of the Company.

The prior approval of such matters must be obtained by a resolution passed by a majority of the holders of those classes of shares at a separate meeting or, in certain circumstances, by the written approval of such a majority.

The articles of association of the Company confer the right to nominate a director of the Company upon certain shareholders. The articles contain further provisions which mean that, in the event that a resolution of the shareholders is proposed to remove such a nominated director, the shareholders who nominated that director is entitled to such additional number of voting rights as is necessary to prevent that resolution being passed (and the director being so removed). On a distribution of capital (or other return of assets), the different classes of shares in the Company are entitled to participate in a particular order of priority as follows: C(i) first, the holders of B Ordinary Shares are entitled to an amount equal to £16.78 per share; (ii) second, the holders of the A Ordinary Shares are entitled to an amount equal to £7.52 per share; (iii) third, the holders of the Ordinary Shares are entitled to an amount equal to £7.52 per share; (iv) fourth, the holders of the A Ordinary Shares and Ordinary Shares are, together, entitled to an amount equal to £9.26 per share; and (v) finally, any sums remaining after those distributions are distributed pro rata amongst the holders of all shares. If, at any stage of that distribution process, the assets or capital available for distribution is or are insufficient to provide for the specified fixed return per share, then such amounts as are available for distribution will be distributed pro rata to the holders of the particular class (or, in the case of a distribution under the fourth stage described above, classes) of shares that are entitled to participate at that stage of the distribution process.

The holders of the B Ordinary Shares and the A Ordinary Shares have the benefit of certain anti-dilution protection provisions in the articles of association and also have right to receive certain further shares (by way of bonus issue or subscription at par value) in the event that the Company is floated on a stock exchange.

## Notes to the financial statements (continued)

### 16 Interest in share capital

Under the terms of the share option scheme (the Enterprise Management Incentive Scheme, which has been approved by the Inland Revenue), the Board may offer selected staff options over ordinary shares of the company at prices no lower than market valuation at the time of the offer. The option period is 10 years with either an initial 3 year performance period or vesting on an Exit or similar event. Options that existed during the year were as follows:

Grant Date	Exercise Price £	No. of Awards	No. of Shares	At 30 June 2019 No. of Shares
15 Aug 2008	7.52	2	3,250	3,250
15 Aug 2008	7.52	(2)	(3,250)	(3,250)
31 Mar 2009	7.52	2	5,000	5,000
31 Mar 2009	7.52	(2)	(5,000)	(5,000)
1 Oct 2009	16.78	2	1,000	1,000
31 Dec 2010	16.78	3	4,250	4,250
31 Dec 2010	16.78	1	(250)	(250)
12 Oct 2011	16.78	2	900	900
31 Aug 2014	0.01	13	33,587	33,587
31 Aug 2014	0.01	(1)	(1,107)	(1,107)
25 Jan 2016	0.01	17	40,221	40,221
25 Jan 2016	0.01	(3)	(1,070)	(1,070)
23 Feb 2016	0.01	1	300	300
23 Feb 2016	0.01	(1)	(300)	(300)
1 October 2017	0.01	11	3,587	3,587
1 October 2017	0.01	(6)	(1,890)	(1,890)
21 June 2019	0.01	11	12,387	12,387
				<u>91,615</u>

At 30 June 2019, 32 employees held approved share options.

Figures in brackets indicate share options which have lapsed or which have been exercised during the year.

Employees who are resident outside the United Kingdom were not eligible to participate in the EMI Scheme and so have been granted unapproved options, which have the same vesting terms as those participating in EMI Scheme.

Grant Date	Exercise Price £	No. of Awards	No. of Shares	At 30 June 2019 No. of Shares
31 Aug 2014	0.01	1	11,585	11,585
25 Jan 2016	0.01	3	31,840	31,840
1 October 2017	0.01	1	300	300
1 October 2017	0.01	(1)	(300)	(300)
21 June 2019	0.01	6	1,800	1,800
				<u>45,225</u>

At 30 June 2019, 9 employees held unapproved share options.

The beneficial interests of the directors holding office on 30 June 2019 in the issued share capital of the company were as follows:

	At 30 June 2019 No. of Shares	At 30 June 2018 No. of Shares	At 30 June 2019 No. of Options	At 30 June 2017 No. of Options
AJ Bull	-	-	4,087	-
JG Grant	3,000	3,000	26,625	26,625
JY Ooi	6,900	6,900	-	-
WI Williamson	6,000	-	30,785	36,785

### 17 Share Based Payment

The options granted in Oct 2017 and June 2019 vest upon an exit event by the company and achieving certain exit performance conditions. All options are equity settled Share Based payments and there are no cash settlement alternatives.

	Group and Company 2019 £	Group and Company 2018 £
Gross expenses recognised in the period arising from equity settled share based payment transactions	<u>(235,892)</u>	<u>--</u>

The directors have based the estimated entity value on a recent offer for the business and consider that the expected life used in the model reflects an exit event within the 2020 financial year.

**Notes to the financial statements (continued)**

**18 Leasing commitments**

The group's annual commitments under non-cancellable operating leases are as follows:

	30 June 2019	30 June 2019	30 June 2019	30 June 2018	30 June 2018	30 June 2018
	Building £	Other Leases £	Total £	Building £	Restated Other Leases £	Restated Total £
Within one year	150,900	2,700	153,600	98,933	3,854	102,787
Between two to five years	520,915	1,125	522,040	593,600	3,854	597,454
Over five years	-	-	-	80,386	-	80,386
	<u>671,815</u>	<u>3,825</u>	<u>675,640</u>	<u>772,919</u>	<u>7,708</u>	<u>780,627</u>

The lease commitment for 2019 relates to accommodation at 1 Rutland Court, Edinburgh between the balance sheet date and 16 December 2023.

**19 Post balance sheet events**

The directors have received an offer for the company which they have indicated that they will recommend to the shareholders for acceptance.

**20 Ultimate controlling party**

The directors do not believe the group is controlled by any single party at the date of signing.