

ELEMENTAL DIGEST LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 30 SEPTEMBER 2020



ELEMENTAL DIGEST LIMITED
REGISTERED NUMBER:08189877STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

		2020	As restated
	Note	£	2019
			£
Fixed assets			
Intangible assets	4	1,444,983	1,337,568
Tangible assets	5	96,194	9,293
Investments	6	4	4
		<u>1,541,181</u>	<u>1,346,865</u>
Current assets			
Debtors: amounts falling due within one year	7	245,119	1,113,078
Cash at bank and in hand		410,671	5,042
		<u>655,790</u>	<u>1,118,120</u>
Creditors: amounts falling due within one year	8	(815,692)	(1,120,660)
Net current liabilities		<u>(159,902)</u>	<u>(2,540)</u>
Total assets less current liabilities		<u>1,381,279</u>	<u>1,344,325</u>
Creditors: amounts falling due after more than one year	9	(427,136)	(403,973)
Net assets		<u><u>954,143</u></u>	<u><u>940,352</u></u>
Capital and reserves			
Called up share capital		1,254	1,212
Share premium account		3,136,233	2,566,274
Profit and loss account		(2,183,344)	(1,627,134)
		<u>954,143</u>	<u>940,352</u>

ELEMENTAL DIGEST LIMITED
REGISTERED NUMBER:08189877

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 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 have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with 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 by:

Dean E Hislop
Director

Date: 26 January 2021

The notes on pages 4 to 12 form part of these financial statements.

ELEMENTAL DIGEST LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 October 2018	1,100	1,149,800	(1,240,822)	(89,922)
Comprehensive income for the year				
Loss for the year	-	-	(386,312)	(386,312)
Total comprehensive income for the year	-	-	(386,312)	(386,312)
Shares issued during the year	112	1,416,474	-	1,416,586
Total transactions with owners	112	1,416,474	-	1,416,586
At 1 October 2019	1,212	2,566,274	(1,627,134)	940,352
Comprehensive income for the year				
Loss for the year	-	-	(556,210)	(556,210)
Total comprehensive income for the year	-	-	(556,210)	(556,210)
Shares issued during the year	42	569,959	-	570,001
Total transactions with owners	42	569,959	-	570,001
At 30 September 2020	<u>1,254</u>	<u>3,136,233</u>	<u>(2,183,344)</u>	<u>954,143</u>

The notes on pages 4 to 12 form part of these financial statements.

ELEMENTAL DIGEST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

1. General information

Elemental Digest Limited is a private company limited by shares and is incorporated in England. The company's registered number is 08189877 and the address of its registered office Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

The Company is currently in the process of securing additional funding to finalise the build of the fertiliser plant at Elemental Digest's operating site to prove the fertiliser process at a commercial scale, commence the pre-construction development work on a full-scale stock, fat and fertiliser plant at a customer's site and start in-depth field trials for the fertiliser product. This funding is expected to fund the business through to its first revenue in December 2021.

The directors have considered the business plan and potential sources of funding and have a plan in place to secure equity or other such funding in the coming months to enable the Company to continue as a going concern. The directors acknowledge that there can be no certainty on the timing and quantum of future fund raising and that this represents a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Included within the balance sheet is development expenditure of £1,444,983 (2019: £1,337,568) which will be amortised once the commercial benefits start to be derived. The financials statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.3 Operating leases: the Company 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.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

ELEMENTAL DIGEST LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.4 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.

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.

2.5 Interest income

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

2.6 Finance costs

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

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Pensions

DEFINED CONTRIBUTION PENSION PLAN

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

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

2.9 Taxation

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 reporting date in the countries where the Company operates and generates income.

2.10 Intangible assets

Development costs of projects are capitalised at costs in the year in which they are incurred. This is on the basis that the costs meet the requirements for being capitalised under FRS 102. The costs will be amortised once commercial benefits start to be derived.

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.11 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 and a reducing balance method.

Depreciation is provided on the following basis:

Plant and machinery	- Between 10% and 33% straightline
Motor vehicles	- 20% reducing balance

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.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Debtors

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

2.14 Cash and cash equivalents

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

2.15 Creditors

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

2.16 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

2.16 Financial instruments (CONTINUED)

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.

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.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

3. Employees

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

	2020 No.	2019 No.
Employees	<u>7</u>	<u>7</u>

4. Intangible assets

	Development expenditure £
Cost	
At 1 October 2019 as restated	1,337,568
Additions	107,415
At 30 September 2020	<u>1,444,983</u>
Net book value	
At 30 September 2020	<u>1,444,983</u>
At 30 September 2019 as restated	<u>1,337,568</u>

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

5. Tangible fixed assets

	Plant and machinery	Motor vehicles	Total
	£	£	£
Cost or valuation			
At 1 October 2019 as restated	3,950	13,045	16,995
Additions	96,202	-	96,202
At 30 September 2020	<u>100,152</u>	<u>13,045</u>	<u>113,197</u>
Depreciation			
At 1 October 2019 as restated	-	7,702	7,702
Charge for the year on owned assets	8,233	1,068	9,301
At 30 September 2020	<u>8,233</u>	<u>8,770</u>	<u>17,003</u>
Net book value			
At 30 September 2020	<u>91,919</u>	<u>4,275</u>	<u>96,194</u>
At 30 September 2019 as restated	<u>3,950</u>	<u>5,343</u>	<u>9,293</u>

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

6. Investments in subsidiaries

	Investments in subsidiary companies
	£
Cost or valuation	
At 1 October 2019	4
At 30 September 2020	<u>4</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Elemental Digest Edibles Limited	Ordinary	100%
Elemental Digest Energy Limited	Ordinary	100%
Elemental Digest Systems Limited	Ordinary	100%
Elemental Digest Thallo Limited	Ordinary	100%

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

7. Debtors

	2020 £	2019 £
Other debtors	235,397	1,113,078
Prepayments and accrued income	9,722	-
	<u>245,119</u>	<u>1,113,078</u>

8. Creditors: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade creditors	29,192	261,582
Amounts owed to group undertakings	4	4
Other taxation and social security	5,076	2,345
Other creditors	724,558	760,721
Accruals and deferred income	56,862	96,008
	<u>815,692</u>	<u>1,120,660</u>

9. Creditors: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £	2019 £
Other loans	427,136	403,973
	<u>427,136</u>	<u>403,973</u>

The following liabilities were secured:

2020	2019
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Other creditors

	£	£
	287,136	263,973
	<u>287,136</u>	<u>263,973</u>

Included within creditors due after more than one year is an amount of £287,136 secured by way of a debenture including a fixed and floating charge over the assets of the company.

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due 1-2 years		
Other loans	427,136	403,973
	<u>427,136</u>	<u>403,973</u>
	<u>427,136</u>	<u>403,973</u>

11. Share capital

	2020 £	2019 £
ALLOTTED, CALLED UP AND FULLY PAID		
100,000,000 (2019: 100,000,000) Ordinary - A shares of £0.00001 each	1,000	1,000
10,000,000 (2019: 10,000,000) Ordinary - B shares of £0.00001 each	100	100
15,365,361 (2019: 11,200,000) Ordinary - C shares of £0.00001 each	154	112
	<u>1,254</u>	<u>1,212</u>

All share classes rank pari passu in respect of dividends, voting rights and distributions on winding up.
During the year 4,179,991 C Ordinary shares of £0.00001 each were issued for a total consideration of £570,000.

12. Prior year adjustment

In 2019 the company recognised £238,523 of additions in tangible fixed assets. These related to the development work being undertaken by the company and should have been classified as intangible fixed assets. The company has restated the comparative figures to reflect this.

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £3,566 (2019: £5,293). Contributions totalling £814 (2019: £448) were payable to the fund at the reporting date and are included in creditors.

ELEMENTAL DIGEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

14. **Related party transactions**

Included within other creditors due within one year are loans from directors totalling £426,076 (2019: £381,501) and are repayable on demand. Of this balance, £126,076 (2019: £81,501) is interest free and £300,000 (2019: £300,000) relates to a convertible loan note held by a director which is accruing interest at a rate of 8% per annum. The amount of accrued interest (but not paid) as at the year-end is £123,090 (2019: £99,025). The intent of the director to convert the loan to shares once the company has received the funding required to develop the future operating activities at which point the accrued interest will be waived.

Included within other creditors due within one year is an amount owed to a company under the control of one of the directors. As at the year end the amount owed was £142,578 (2019: £192,747). During the year, the company incurred costs from the related party of £21,158 (2019: £40,622). These transactions have been undertaken on an arms-length basis.

Included within other creditors due after more than one year is a loan from a director totalling £140,000 (2019: £140,000). The loan is interest free and cannot be called upon by the director until such point as the company has distributable reserves.

Included within other creditors due after more than one year is a loan from an executive pension scheme with a Trustee and beneficiary in common with a director totalling £287,136 (2019: £263,973). The loan bears interest at a rate of 10% per annum and the loan has been undertaken on an arms-length basis.

During the year purchases of £54,520 (2019: £nil) were made from companies that had a director in common with Elemental Digest. At the year end the amount owed to these companies was £Nil (2019: £Nil).

15. **Auditors' information**

The auditors' report on the financial statements for the year ended 30 September 2020 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which refers to the significant challenges and uncertainties facing the Company. The Company is reliant on being able to obtain ongoing finance in order to continue its operations. As stated in note 2.2, the significant challenges and uncertainties caused by this indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

The audit report was signed on 4 February 2021 by Fleur Lewis FCA (Senior statutory auditor) on behalf of Bishop Fleming LLP.

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