

Company Registration No. 02296619 (England and Wales)

THE ECU GROUP PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

THE ECU GROUP PLC

COMPANY INFORMATION

Directors Gregg Egen - Chairman
Lady Rona Delves Broughton
Alexander Jones
Michael Petley
David Robinson

Secretary André de Klerk

Company number 02296619

Registered office Suite 1, 3rd Floor,
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Auditors Gerald Edelman
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London
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Principal Bankers HSBC Bank plc
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THE ECU GROUP PLC

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THE ECU GROUP PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The principal business activities of the Company during 2019 continued to be its Discretionary Currency Debt Management Services and the provision of Global Macroeconomic and Currency Risk Management products and services to institutional investors, corporates, family offices and UHNW individuals.

Fair review of the business

The Company continues to offer a range of currency management, global macro and geopolitical advisory services.

During 2019, the Company's gross revenue reduced by £24,713, and operating costs increased by £234,436 due to significant legal expenditure relating to its ongoing litigation with HSBC entities. The net loss for the year was £1,260,692, compared to a loss of £1,001,543 in 2018.

The Board has, in with its previously declared strategy, continued to strengthen the Company's capital base through the further issuance of 5 year Corporate Bonds("Bonds").

By way of background, during 2017, the Company created and authorised the issue of a maximum nominal amount of £2,000,000 0.75% fixed date unsecured bonds "Class 1 Bonds" and, in addition, a maximum nominal amount of £2,500,000 3.85% fixed rate unsecured bonds "Class 2 Bonds".

The Class 1 Bonds were fully offered, subscribed for and issued in 2017. The Board of Directors decided to only issue 305,000 Class 2 Bonds in 2017 followed by a further 1,032,000 in 2019. In the first quarter of 2020, in keeping with this ongoing policy of drawing upon further capital as deemed appropriate, the Board invited subscriptions for a further 205,000 Class 2 Bonds which have been taken up and issued at the same price of £1.00 each, resulting in a total of 1,542,000 Class 2 Bonds being in issuance.

At year end, Share Warrants for a total of 1,475,000 'B' Ordinary shares of 20p were exercised by staff and members of the Board of Directors, raising a further £295,000 in new equity.

During the year, the Company opened a Branch Office in Abu Dhabi in order to further the Company's Global Macro and Currency Risk Management Services interests and opportunities in the Middle East. During the year, the Company's Branch Office successfully negotiated and secured a substantial Litigation Funding Agreement with a leading Litigation Funding Group in order to assist in bringing the Company's litigation against HSBC entities for breach of contract and fraud to its natural conclusion. The Company's Abu Dhabi Branch Office maintains full management control of the HSBC litigation.

The directors consider the Company to be adequately capitalised for its current activities.

THE ECU GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Currency market risk

Adverse currency movements could materially increase the value of multi-currency assets and liabilities under the Company's management. The Company's principal relationship banks all have access to trading platforms and dealing rooms to implement ECU's pre-determined risk management strategies as part of its overall risk management process.

Key personnel risk

The Company is dependent on a number of key individuals. Key roles are duplicated where possible and succession policies continue to be developed which involve identifying a back-up within the Company for all roles or, where this is not practical, to plan how the Company could cope prior to a replacement being appointed.

Legislative risk

The Company is authorised and regulated by the Financial Conduct Authority. New regulations and directives could materially affect the Company's operations.

Exposure to price, credit and liquidity risk

Price risk arises on financial instruments because of changes in, for example, equity prices or currency rates. The Company does not enter into speculative contracts with its own funds.

Credit risk is the risk that one party in a financial transaction will cause a financial loss to the other party by failing to discharge an obligation. Currency trading for the managed multi-currency liability programmes does not represent a credit risk to the Company because the Company is not a direct party in such transactions. Details of the Company's debtors are included in note 17 to the financial statements. Trade debtors arise in the main from management or performance fees for the debt management programme. The Company's policy is that debts which are aged over three months are referred to solicitors for collection. Liquidity risk is the risk that an obligation cannot be met as it falls due. The Company ensures its ability to meet its obligations by maintaining sufficient cash on deposit.

The capital requirement

The capital requirement regulations issued by the Financial Conduct Authority requires the Company to disclose certain information (Pillar 3 disclosures) and this information is recorded on our website – www.ecugroup.com

Creditor payments

The Company settles invoices in accordance with the terms of the suppliers' own conditions unless mutually agreed otherwise. At 31 December 2019, the company had 25 days (2018: 25 days) average purchases outstanding in trade creditors.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key Performance Indicators

The company's key financial indicators were:

	2019	2018
	£'000	£'000
Funds under Management - active	6,682	9,237
- suspended	63,884	63,884
Turnover	60	85
Loss on ordinary activities before taxation	1,325	1,025
Loss after taxation	1,325	1,025
Shareholders' funds	(2,870)	(1,845)

Turnover was largely derived from management fees charged on ECU's discretionary currency management products. The largest component relates to fees generated on multi-currency borrowing facilities provided to ECU's clients by third party lending banks.

Investment decisions are made by the Company's investment team supported by advice from the ECU's Global Macro Advisory Team.

Other matters

Corporate Bonds in The ECU Group Public Limited Company (the "Company" and "ECU")

The Company issued two distinct 5 year Corporate Bonds ("Bonds") in 2017 to strengthen its capital base.

The first bond instrument constituted up to £2,000,000 0.75% Class 1 Fixed Rate Unsecured Bonds 2022 of the Company, at the issue price of £1.00 each (the "**Class 1 Bonds**"). The Class 1 Bond Issue was fully subscribed for, allocated and issued in 2017, raising £2,000,000 of new capital.

The second bond instrument constituted up to £2,500,000 3.85% Class 2 Fixed Rate Unsecured Bonds 2022 of the Company, at the issue price of £1.00 each (the "**Class 2 Bonds**"). A total of 305,000 Class 2 Bonds was subscribed for, allocated and issued in 2017, raising £305,000 of additional new capital.

There was no further bond issuance in 2018. In 2019, a further 1,032,000 Class 2 Bonds have been subscribed for, allocated and issued, raising £1,032,000 of additional new capital.

Purpose of the Bonds

The purpose of the Bonds is to provide the Company with appropriate capital resources to finance its corporate purpose and business activities.

Subsequent Events

Post the 2019 year end, a further 205,000 Class 2 Bonds have been subscribed for, allocated and issued in 2020, raising £205,000 of additional new capital.

In addition, as at 31 December 2019, certain members of staff and Directors had exercised warrants entitling them to subscribe for a total of 1,475,000 'B' Ordinary shares of 20p. The payment for these shares was received in 2020, raising an additional £295,000 in new Share Capital.

The Board intends to issue further tranches of Class 2 Bonds as and when it is deemed appropriate to meet corporate working capital requirements.

THE ECU GROUP PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Litigation with HSBC Banking Group

As previously reported, events in 2016 led the Company to revisit certain incidents that related to serious allegations raised by ECU of suspected front-running by HSBC of three foreign exchange ("FX") stop-loss orders in January 2006, involving currency worth more than \$1.2bn.

As requests for certain targeted pre-action disclosure were not forthcoming from HSBC, it became necessary for ECU to issue an application for pre-action disclosure pursuant to CPR 31.16, and it did so on 23 May 2017 (the Application). The Application was heard on 26 October 2017 before His Honour Judge Waksman QC and resulted in ECU being successful on all counts. The judgment is reported as ECU Group Plc v HSBC Bank Plc [2018] Lloyd's Rep F. C. 44 (the Judgment).

Following this Judgement, ECU sought a further order from the High Court which was granted by consent, resulting in significant disclosures on 27 April 2018. The result of these disclosures is that it is now clear to ECU that it was defrauded upon multiple levels in January 2006 and that HSBC's unequivocal assurances to the contrary at the time amounted to a concealment of those fraudulent activities.

As reported above, in 2019 the Company's Abu Dhabi Branch Office successfully negotiated and secured a substantial Litigation Funding Agreement with a leading Litigation Funding Group in order to assist in bringing the Company's litigation against HSBC entities for breach of contract and fraud to its natural conclusion. The Company's Abu Dhabi Branch Office maintains full management control of the HSBC litigation which is progressing in accordance with a predefined timetable set by the High Court, with a scheduled Liability Trial due to take place in The Commercial Court during June and July 2021.

Members of the Board of Directors are united in their determination to seek full compensation for any and all wrongdoing perpetrated against the Company and its clients. The Company continues to receive the full support from its Board and stakeholders for any and all actions the Company may need to take in pursuit of its claims against HSBC and others shown to have defrauded the Company.

The Board will continue to consider the Company's capital requirements carefully and prudently as these matters are pursued. The Board will not hesitate to take in additional capital if and when deemed appropriate and under the most conducive terms the Company is able to secure from existing shareholders and bondholders.

On behalf of the board

Gregg Egen

Chairman

29 September 2020

THE ECU GROUP PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The principal activity of the company was managing currency and global macro mandates on behalf of clients.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Gregg Egen - Chairman
Lady Rona Delves Broughton
Alexander Jones
Michael Petley
David Robinson

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid.

Auditors

The auditors, Gerald Edelman, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

Having reviewed the company's financial forecasts and expected future cash flows, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus notwithstanding the fact that the company's total liabilities exceed its total assets by £2,870,090, the going concern basis has been adopted in preparing the financial statements for the year ended 31 December 2019.

On behalf of the board

Michael Petley
Director
29 September 2020

THE ECU GROUP PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

THE ECU GROUP PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ECU GROUP PLC

Opinion

We have audited the financial statements of The ECU Group plc (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

THE ECU GROUP PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ECU GROUP PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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.

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.

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 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.

Asgher Sultan FCCA (Senior Statutory Auditor)
for and on behalf of Gerald Edelman

29 September 2020

Chartered Accountants
Statutory Auditor

73 Cornhill
London
EC3V 3QQ

THE ECU GROUP PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	60,310	85,023
Administrative expenses		(1,321,002)	(1,086,566)
Operating loss	4	(1,260,692)	(1,001,543)
Interest receivable and similar income	6	758	3,588
Interest payable and similar expenses	7	(52,461)	(27,192)
Amounts written off investments	12	(12,440)	-
Loss before taxation		(1,324,835)	(1,025,147)
Tax on loss	9	-	-
Loss for the financial year		(1,324,835)	(1,025,147)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

THE ECU GROUP PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Loss for the year	(1,324,835)	(1,025,147)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,324,835)</u>	<u>(1,025,147)</u>

THE ECU GROUP PLC

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	10		7,235		1,386
Investments	11		60		12,500
			<u>7,295</u>		<u>13,886</u>
Current assets					
Debtors	17	974,099		474,199	
Cash at bank and in hand		248,678		127,611	
		<u>1,222,777</u>		<u>601,810</u>	
Creditors: amounts falling due within one year	15	(768,162)		(155,951)	
Net current assets			<u>454,615</u>		<u>445,859</u>
Total assets less current liabilities			<u>461,910</u>		<u>459,745</u>
Creditors: amounts falling due after more than one year	16		(3,337,000)		(2,305,000)
Net liabilities			<u>(2,875,090)</u>		<u>(1,845,255)</u>
Capital and reserves					
Called up share capital	20		8,185,000		7,890,000
Capital redemption reserve			200,000		200,000
Profit and loss reserves			(11,260,090)		(9,935,255)
Total equity			<u>(2,875,090)</u>		<u>(1,845,255)</u>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

Alexander Jones
Director

Michael Petley
Director

Company Registration No. 02296619

THE ECU GROUP PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		7,890,000	200,000	(8,910,108)	(820,108)
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(1,025,147)	(1,025,147)
Balance at 31 December 2018		7,890,000	200,000	(9,935,255)	(1,845,255)
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(1,324,835)	(1,324,835)
Issue of share capital	20	295,000	-	-	295,000
Balance at 31 December 2019		8,185,000	200,000	(11,260,090)	(2,875,090)

THE ECU GROUP PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	25	(950,950)		(1,488,947)	
Interest paid		(52,461)		(27,192)	
Net cash outflow from operating activities		(1,003,411)		(1,516,139)	
Investing activities					
Purchase of tangible fixed assets		(8,280)		(1,634)	
Proceeds on disposal of associates		12,440		-	
Proceeds on disposal of fixed asset investments		(12,440)		-	
Interest received		758		3,588	
Net cash (used in)/generated from investing activities		(7,522)		1,954	
Financing activities					
Proceeds from issue of shares		100,000		-	
Issue of debentures		1,032,000		-	
Net cash generated from/(used in) financing activities		1,132,000		-	
Net increase/(decrease) in cash and cash equivalents		121,067		(1,514,185)	
Cash and cash equivalents at beginning of year		127,611		1,641,796	
Cash and cash equivalents at end of year		248,678		127,611	

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

The ECU Group plc is a company limited by shares incorporated in England and Wales. The registered office is Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB.

1.1 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") 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.

1.2 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that at the balance sheet date the company's total liabilities exceed its total assets by £2,870,090 (2018: £1,845,255) the validity of which is dependent on the positive cash reserves of the company at year end.

The directors have prepared budgets that indicate that, as at the date of signing these financial statements, the company has sufficient cash reserves to continue to trade for at least 12 months.

1.3 Turnover

Turnover is stated net of value added tax and is recognised in accordance with signed agreements with the company's clients.

Revenue from contracts for the provision of professional services is recognised by reference percentages agreed in accordance with signed agreement. Income is recognised monthly based on agreed rates and yearly based on performance level and charged at agreed rate.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost less any accumulated depreciation and any accumulated impairment losses. The company has adopted a cost model in recognising and measuring its tangible fixed assets.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	3 years
Fixtures, fittings & equipment	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 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.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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.

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.11 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 demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Fees receivable	60,310	85,023
	<u> </u>	<u> </u>

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	756	(57)
Auditors remuneration	16,000	16,000
- Audit work		
- Accounts work	1,000	1,000
- Tax work	1,000	1,000
Depreciation of owned tangible fixed assets	2,431	1,674
Operating lease charges	88,108	38,729
	<u> </u>	<u> </u>

5 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	200,750	205,835
	<u> </u>	<u> </u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	188,750	195,000
	<u> </u>	<u> </u>

6 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	758	3,588
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	758	3,588
	<u> </u>	<u> </u>

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Other interest on financial liabilities	52,461	27,192
	<u> </u>	<u> </u>

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Directors and administrative staff	4	4

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	375,757	312,198
Social security costs	19,302	40,791
Pension costs	36,633	28,700
	431,692	381,689

9 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	(1,324,835)	(1,025,147)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(251,719)	(194,778)
Other tax adjustments	251,719	194,778
Taxation charge for the year	-	-

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2019	154,968	179,251	334,219
Additions	2,984	5,296	8,280
Disposals	(69,498)	(376)	(69,874)
At 31 December 2019	88,454	184,171	272,625
Depreciation and impairment			
At 1 January 2019	153,770	179,063	332,833
Depreciation charged in the year	1,237	1,194	2,431
Eliminated in respect of disposals	(69,498)	(376)	(69,874)
At 31 December 2019	85,509	179,881	265,390
Carrying amount			
At 31 December 2019	2,945	4,290	7,235
At 31 December 2018	1,198	188	1,386

11 Fixed asset investments

	Notes	2019 £	2018 £
Investments in associates	13	60	12,500

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Fixed asset investments (Continued)

Movements in fixed asset investments

Shares in group
undertakings
and
participating
interests

£

Cost or valuation

At 1 January 2019 & 31 December 2019

12,500

Impairment

At 1 January 2019

-

Impairment losses

12,440

At 31 December 2019

12,440

Carrying amount

At 31 December 2019

60

At 31 December 2018

12,500

12 Amounts written off investments

2019

£

2018

£

Permanent diminution in value

(12,440)

-

13 Associates

These financial statements are separate company financial statements for 31 March 2019.

Details of the company's associates at 31 December 2019 are as follows:

The associates accounts are prepared to 31 March 2019 which shows a net asset position of £1,087.

Name of undertaking	Registered office	Class of shares held	% Held Direct
Calm Logic Ltd	UK	Ordinary	30.00

The investment in associate are all stated at cost less any provision for impairment.

14 Financial instruments

2019

£

2018

£

Carrying amount of financial assets

Debt instruments measured at amortised cost

925,886

390,869

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

14	Financial instruments		
	Carrying amount of financial liabilities		
	Measured at amortised cost	4,102,752	2,453,029
		<u> </u>	<u> </u>
15	Creditors: amounts falling due within one year		
		2019	2018
		£	£
	Trade creditors	30,691	14,124
	Taxation and social security	2,410	7,922
	Other creditors	34,843	7,904
	Accruals and deferred income	700,218	126,001
		<u> </u>	<u> </u>
		768,162	155,951
		<u> </u>	<u> </u>
16	Creditors: amounts falling due after more than one year		
		2019	2018
		£	£
		Notes	
	Debenture loans	18	
		3,337,000	2,305,000
		<u> </u>	<u> </u>
17	Debtors		
		2019	2018
	Amounts falling due within one year:	£	£
	Trade debtors	20	2,288
	Unpaid share capital	195,000	-
	Other debtors	730,866	388,807
	Prepayments and accrued income	43,285	78,176
		<u> </u>	<u> </u>
		969,171	469,271
	Deferred tax asset (note 21)	4,928	4,928
		<u> </u>	<u> </u>
		974,099	474,199
		<u> </u>	<u> </u>
18	Loans and overdrafts		
		2019	2018
		£	£
	Debenture loans	3,337,000	2,305,000
		<u> </u>	<u> </u>
	Payable after one year	3,337,000	2,305,000
		<u> </u>	<u> </u>

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Loans and overdrafts

(Continued)

The bonds represent two distinct 5 year Corporate Bonds. The first bond instrument, constituting up to £2,000,000 0.75% Class 1 Fixed Rate Unsecured Bonds 2022 of the Company (the "Class 1 Bonds"), has been fully subscribed for, allocated and issued.

The second bond instrument constitutes up to £2,500,000 3.85% Class 2 Fixed Rate Unsecured Bonds 2022 of the Company (the "Class 2 Bonds"), of which £1,337,000 has, at 31 December 2019, been subscribed for, allocated and issued.

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	36,633	28,700

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and not fully paid		
3,400,000 'A' Ordinary shares of 80p each	2,720,000	2,720,000
12,325,000 (2018: 10,850,000) 'B' Ordinary shares of 20p each	2,465,000	2,170,000
	<u>5,185,000</u>	<u>4,890,000</u>
Preference share capital		
Issued and fully paid		
3,000,000 Preference shares of £1 each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
Total equity share capital	<u>8,185,000</u>	<u>7,890,000</u>

At year end date the unpaid share capital under class 'B' Ordinary shares was £195,000. This amount was fully paid post year end date.

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Share capital

(Continued)

Both classes of ordinary shares are ranked pari passu in all respects and any reference in the articles to an 'ordinary share' shall be to an 'A' Ordinary Share of £0.80 and/or to a 'B' Ordinary Share of £0.20.

The preference shares are entitled to a 3% non-cumulative cash dividend, payable quarterly before any dividend on ordinary shares. In any distribution of assets in the event of a winding up, the paid up amount of the preference shares (£3,000,000) will be reimbursed ahead of any payments in respect of the ordinary shares. Preference shares carry no voting rights.

In 2015 the Company issued Warrant Instruments of up to 1,500,000 which entitles the holders to acquire one fully paid B Ordinary shares of £0.20 in the capital of the Company. All 1,500,000 Warrant Instruments previously issued by the Company were fully exercised by their holders in 2019.

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Assets 2019 £	Assets 2018 £
Balances:		
Accelerated capital allowances	4,928	4,928

There were no deferred tax movements in the year.

The deferred tax asset set out above is expected to reverse within twelve months and relates to the timing difference on capital allowances and depreciation charge.

22 Related party transactions

The company paid £14,400 (2018: £14,400) to The Kingsmead Corporation Limited in relation to directors' fee for Alexander Jones. The amount outstanding at year end date was £6,000 (2018: £nil).

The company paid Calm Logic Ltd £2,500 (2018: £6,000) during the year for IT services.

Following the issue of the Class 1 and 2 Bonds, the company paid underwriting fees of £nil (2018: £3,233 to Alexander Jones) and £nil (2018: £6,467 to Michael Petley) in line with the underwriting fee agreements. The company also incurred interest on the issue of Class 1 and 2 Bonds of £9,769 (2018 £3,389) to Lady Rona Delves Broughton, £5,214 (2018: £1,753) to David Robinson, £1,902 (2018: £688) to Gregg Egen, £385 (2018: £351) to Michael Petley and £1,000 (2018: £175) to Alexander Jones.

23 Post balance sheet event

Subsequent to the year end date, the company raised £205,000 in March 2020 by issuing 3.85% fixed rate unsecured bonds "Class 2 Bond".

THE ECU GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

24 Contingent liability

As stated in the fair review of the business within the strategic report, the Company secured a substantial litigation funding group in order to assist in bringing the Company's litigation against HSBC entities for breach of contract and fraud. The cost incurred and funded by a litigation funding group was £2,217,413 at the date of the balance sheet. This amount has not been provided in the accounts as it is contingent on the company successfully claiming damages from the litigation. Should the claim be unsuccessful the liability shall not be payable to the litigation funding group. Based on this fact the amount has not been accrued in the financial statements.

25 Cash absorbed by operations

	2019 £	2018 £
Loss for the year after tax	(1,324,835)	(1,025,147)
Adjustments for:		
Finance costs	52,461	27,192
Investment income	(758)	(3,588)
Depreciation and impairment of tangible fixed assets	2,431	1,674
Amounts written off investments	12,440	-
Movements in working capital:		
Increase in debtors	(304,900)	(414,112)
Increase/(decrease) in creditors	612,211	(74,966)
Cash absorbed by operations	(950,950)	(1,488,947)

26 Analysis of changes in net debt

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	127,611	121,067	248,678
Borrowings excluding overdrafts	(2,305,000)	(1,032,000)	(3,337,000)
	<u>(2,177,389)</u>	<u>(910,933)</u>	<u>(3,088,322)</u>

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