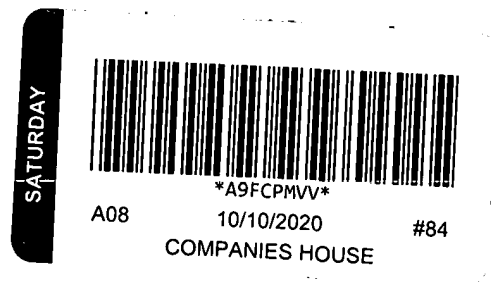


# IPSX GROUP LIMITED

Company No: 08846330

## DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



**IPsx GROUP LIMITED  
COMPANY INFORMATION**

**DIRECTORS:**

A J Gahan  
Sir B G Ivory  
S G Bailey  
R J Bould  
RMH Croft-Sharland  
D P Delaney (appointed 25 February 2019)  
R Gaston-Bellegarde  
C H Knight  
C J Middleton  
I Rickwood (appointed 21 September 2020)

**REGISTRATION NUMBER:**

08846330

**REGISTERED OFFICE:**

15 Stratton Street  
London  
W1J 8LQ

**INDEPENDENT AUDITOR:**

KPMG LLP  
2 Forbury Place  
33 Forbury Road  
Reading  
RG1 3AD

**ACCOUNTANTS:**

Rawlinson & Hunter LLP  
Chartered Accountants  
Eighth Floor  
6 New Street Square  
New Fetter Lane  
London  
EC4A 3AQ

**IPsx GROUP LIMITED  
FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 2019**

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**IPSX GROUP LIMITED**  
**GROUP STRATEGIC REPORT**  
**FOR YEAR ENDED 31 DECEMBER 2019**

**PRINCIPAL ACTIVITIES**

The Group's principal activity is the development and operation of a group of international property securities exchanges. The Company is a holding company of the aforementioned exchanges and currently has one wholly owned subsidiary, IPSX UK Limited ("IPSX UK").

**TRADING STATEMENT**

On 9 January 2019, IPSX UK announced that the Financial Conduct Authority ("FCA") had issued a Recognition Order in respect of IPSX Prime to allow IPSX UK to operate as a Recognised Investment Exchange ("RIE") in the UK.

Immediately following the receipt of the recognition order, the Company raised £11.3m from investors. It then invested £5.5m into IPSX UK by way of Ordinary share capital in order to provide the necessary regulatory capital.

Significant further progress was made later in the year when formal FCA non-objection to the launch of IPSX Wholesale was received by IPSX UK on 12 December 2019.

As an RIE dedicated to the initial public offering and secondary market trading of companies owning single institutional grade real estate assets and multiple assets with commonality all within the protections of a regulated market, IPSX UK has had discussions with potential issuers to launch the first IPOs. Market conditions during the financial year were challenging, with considerable uncertainty arising from the Brexit process. Other exchanges have reported material declines in the number and value of IPOs and, in the UK, the number and value of commercial real estate transactions has declined markedly in 2019. Since the year end, the coronavirus pandemic has impacted the global economy and stock markets, and has had a material impact on the real estate sector. However, following the recruitment of the Capital Markets Team during the year, the engagement of the real estate and investor community has continued, and the pipeline of opportunities continues to grow and progress giving us encouragement for the future.

As referred to above, IPSX UK intends to operate two markets:

1. IPSX Prime – enabling commercial real estate asset owners to IPO companies owning a real estate asset, facilitating access for new investors and secondary trading.
2. IPSX Wholesale – a professional market, to be created, subject to regulatory approval, for a variety of corporate structures within a flexible regulatory environment, including qualifying Joint Venture Real Estate Investment Trust ("REITs").

The directors are pleased with the significant progress has been made during the year, not only in obtaining the necessary regulatory licences and completing the necessary fund raising, but in also raising the profile of the IPSX brand, explaining the benefits of the market and building the environment for the first IPOs on the IPSX UK exchange.

Since the year end, the Company has raised a further £2.76m from investors and invested a further £2.7m into IPSX UK by way of Ordinary share capital. The Company has also since the year end converted the intercompany borrowings owed by IPSX UK into 5,475,000 Ordinary Shares of IPSX UK.

**Review of the Business**

The results for the year are set out in the consolidated statement of comprehensive income. The loss for the year of £4,633,130 (2018: £2,635,159) has been transferred to reserves. The Group has net assets of £9,716,755 (2018: £2,126,251).

**IPSX GROUP LIMITED**  
**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR YEAR ENDED 31 DECEMBER 2019**

**KEY PERFORMANCE INDICATORS (KPIs)**

The main KPIs used by the directors to assess the performance of the Group will develop over time, in line with the anticipated growth of the Group. Such KPIs will include the number of issuers coming to the Company's subsidiaries during the period, the market capitalisation of the issuers on the RIE, Group turnover, net equity, liquid resources and headcount. Limited KPI information is available for 2019 given the early stage status of IPSX UK. These are in line with expectations at this stage.

	2019	2018
Turnover	<b>£31,500</b>	Nil
Net equity	<b>£9,716,755</b>	£2,126,251
Liquid resources	<b>£7,356,668</b>	£723,974
Headcount	<b>27</b>	19

**PRINCIPAL RISKS AND UNCERTAINTIES**

The financial risks are disclosed in note 16 to the consolidated financial statements.

**GOING CONCERN**

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2019, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken an updated assessment of the viability of the innovative business model that the Group has established. This assessment takes account of the potential impact of the coronavirus pandemic on the commercial real estate markets, the Company and Group's liquidity position and financial forecasts including the mitigating actions within the control of the Directors.

The Company's wholly owned subsidiary, IPSX UK, secured its licence to operate a Regulated Investment Exchange in early 2019 and is operationally ready to manage the first issuer. As is the nature of many start-up and early stage businesses, the timing of revenue resulting from the first IPO for IPSX UK was always uncertain. Against a backdrop of political and economic uncertainty linked to the timing of Brexit, the coronavirus pandemic has added further challenge to the business given the resulting uncertainty in the global economic environment. As a result, the Directors have implemented a series of measures to underpin the sustainability of the Group.

In particular, the Directors have taken immediate action to reduce costs and extend the Group's access to liquidity by:

- reducing discretionary or non-critical capital expenditure through delaying projects;
- negotiating with suppliers to reduce the Company's ongoing expenditure;
- deferring or cancelling discretionary spend, freezing non-essential recruitment and reducing marketing spend; and
- using current Government support schemes, where appropriate.

In terms of forecasts, particularly within IPSX UK, the Directors have reviewed a range of outcomes covering the development of the real estate market and have modelled a series of 'downside case' scenarios that cover the period to 31 December 2021. The scenarios represent increasingly severe outcomes and include assumptions relating to the estimates of the impact of:

- no IPOs for the remainder of 2020 with planned activity returning in 2021;
- no IPOs for the remainder of 2020, and a much reduced number of IPOs in 2021; and
- no IPOs during 2020 and 2021.

Under all scenarios, it is assumed that:

- the cost base remains static from mid-2020, save for contractual or inflationary increases;
- headcount remains flat throughout 2021; and
- routine maintenance technology development expenditure continues in 2020 to ensure the platform remains fit for purpose, with an adequate contingency.

## IPSX GROUP LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR YEAR ENDED 31 DECEMBER 2019

#### GOING CONCERN (continued)

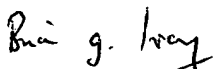
As at 31 December 2019, the Company had net assets of £14.1m (Group: £9.7m). Liquidity as at that date was £275k (Group: £7.4m), made up of cash and cash equivalents. The Company had no undrawn third party facilities. At the year-end the Company had an outstanding loan made to IPSX UK Limited of £5.475 million repayable in January 2021. In September 2020, this loan was converted into 5,475,000 Ordinary Shares in IPSX UK. Also, subsequent to the year end, the Group has received a further £2.8m in equity investment from its existing shareholders.

Under the terms of IPSX UK's licence it has to retain a minimum cash balance of £1.9m to meet the orderly wind down of the business, should this prove necessary in certain predetermined circumstances. The Company will be failing in its regulatory obligations if its financial resources fall below this level. Under all forecast scenarios the company maintains this level of cash for the foreseeable future. In addition, the IPSX UK has agreed with the FCA to hold a further £3.6m of financial resources to act as an Operational Risk Buffer. The FCA accept that there will come a point where IPSX UK may wish to utilise the cash held for the purposes of the Operational Risk Buffer, in order to continue progressing the business. The FCA have explained whilst in principle this is acceptable, any depletion of the Operational Risk Buffer must be made whole again in time for any listing of an issuer on the Exchange. The Board are of the opinion that several investors in the Company, including the key strategic and corporate investors, will act rationally at this point immediately prior to an IPO, and offer up their financial support by way of further equity investment into the Company, which will subsequently be onward invested into IPSX UK. The investors have historically been extremely supportive of the Group as a whole, in a pre-revenue and pre-development status, and investment when IPSX UK is on the cusp of an inaugural IPO would very much be anticipated by the Board. However, such additional funding is not yet committed to the Company by the existing shareholders. Therefore as a result, there can be no certainty that a fundraising will be successful at the time required, albeit the Board have demonstrated their ability to raise funds from existing investors in the past.

Given the early stage nature of the Group there is a continued uncertainty over the timing of the completion of the first and subsequent IPOs. As noted above, this uncertainty has been amplified as a result of Brexit and the impact of the pandemic. Nevertheless, taking account of the uncertainty, the forecasts and mitigating actions available, the Directors have concluded the Group can continue in operation, has adequate resources to meet its liabilities as they fall due and therefore continue as a going concern for the foreseeable future.

However, the need to raise additional funding which is explained above but which has not been secured or agreed at the date of approval of these financial statements represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

This report was approved by the Board of directors ("the Board") and signed on its behalf by:



**Sir Brian Ivory**

Chairman

Date: 5th October 2020

**IPSX GROUP LIMITED**  
**DIRECTORS' REPORT**  
**FOR YEAR ENDED 31 DECEMBER 2019**

The directors present their report of the company for the year ended 31 December 2019. These financial statements consolidate the financial statements of the company and its subsidiary undertaking, IPSX UK Limited.

**DIRECTORS**

The directors who served during the year and to the date of this report are:

A J Gahan  
Sir B G Ivory  
S G Bailey  
R J Bould  
R M H Croft-Sharland  
D P Delaney (appointed 25 February 2019)  
R Gaston-Bellegarde  
C H Knight  
J E Meissel (resigned 21 September 2020)  
C J Middleton  
I R Pain (resigned 28 February 2020)  
I Rickwood (appointed 21 September 2020)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

**IPSX GROUP LIMITED**

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

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

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

**RESULT AND DIVIDENDS**

The loss for the year amounted to £4,633,130 (2018: £2,635,159). No dividend was declared for the year (2018: £Nil).

**MATTERS COVERED IN THE STRATEGIC REPORT**

The directors' assessment of the group's principal risks and uncertainties, financial risk management and key performance indicators are set out in the Strategic Report.

**POST BALANCE SHEET EVENTS**

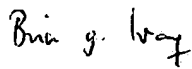
Subsequent to the year end, a further 4,008 Ordinary shares and 900 A Preferred Ordinary shares were issued for a combined consideration of £2,711,426.

Furthermore since the year end, £2,700,000 was invested into IPSX UK in exchange for 2,700,000 Ordinary Shares of £1 each. Finally, the aforementioned loan was converted into 5,475,000 Ordinary Shares of IPSX UK.

**INDEPENDENT AUDITOR**

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board and signed on its behalf.



**Sir Brian Ivory**  
Chairman

Date: 5th October 2020



## **IPSX GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSX GROUP LIMITED**

#### **Opinion**

We have audited the financial statements of IPSX Group Limited ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, consolidated and company statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 2 to the financial statements which indicates that, as a result of the uncertainty as a result of the COVID 19 coronavirus pandemic the group and company could require additional shareholder support in the period to December 2021. Such additional support is not confirmed at the date of approval of these financial statements and this, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## IPsx GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSX GROUP LIMITED

#### Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

#### Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### The purpose of our audit work and to whom we owe our responsibilities

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.



**Terri Coughlan (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
2 Forbury Place  
33 Forbury Road  
Reading  
RG1 3AD

7 October 2020

**IPSX GROUP LIMITED**

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

	Notes	2019 £	2018 £
Income		31,500	-
Administrative expenses		<u>(5,596,494)</u>	<u>(2,995,801)</u>
Loss from operations		<u>(5,564,994)</u>	<u>(2,995,801)</u>
Finance income/(costs) (net)	4	<u>62,021</u>	<u>(426)</u>
Loss before taxation	3	<u>(5,502,973)</u>	<u>(2,996,227)</u>
Income tax	7	<u>869,843</u>	<u>361,068</u>
Loss after tax		<u><u>(4,633,130)</u></u>	<u><u>(2,635,159)</u></u>

The loss for the year and prior year is wholly attributable to continuing activities.  
The notes on pages 14 to 28 form part of these financial statements.

**IPSX GROUP LIMITED**  
(Company registration number: 08846330)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Intangible fixed assets	9	1,550,909	1,370,095
<b>Total non-current assets</b>		<b>1,550,909</b>	<b>1,370,095</b>
<b>Current assets</b>			
Trade and other receivables	10	1,437,719	605,734
Cash and cash equivalents	11	7,356,668	723,974
<b>Total current assets</b>		<b>8,794,387</b>	<b>1,329,708</b>
<b>TOTAL ASSETS</b>		<b>10,345,296</b>	<b>£2,699,803</b>
<b>Equity</b>			
Share capital	13	511	360
Share premium	13	19,463,896	8,169,047
Share-based payment reserve	15	1,208,130	279,496
Retained earnings		(10,955,782)	(6,322,652)
		<b>9,716,755</b>	<b>2,126,251</b>
<b>Current liabilities</b>			
Trade and other payables	12	628,541	573,552
<b>Total current liabilities</b>		<b>628,541</b>	<b>573,552</b>
<b>Total liabilities</b>		<b>628,541</b>	<b>573,552</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,345,296</b>	<b>£2,699,803</b>

These financial statements were approved and authorised for issue by the Board on  
signed on its behalf by:

and

*Brian Ivory*  
**Sir Brian Ivory**  
Director 5th October 2020

The notes on pages 14 to 28 form part of these financial statements.

**IPsx GROUP LIMITED**  
(Company registration number: 08846330)

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Investments	8	5,902,250	100
Intangible fixed assets	9	866,626	1,370,095
<b>Total non-current assets</b>		<b>6,768,876</b>	<b>1,370,195</b>
<b>Current assets</b>			
Trade and other receivables: due after more than one year	10	5,475,000	-
Trade and other receivables: due within one year	10	2,112,558	605,734
Cash and cash equivalents	11	275,763	723,974
<b>Total current assets</b>		<b>7,863,321</b>	<b>1,329,708</b>
<b>TOTAL ASSETS</b>		<b>14,632,197</b>	<b>£2,699,903</b>
<b>Equity</b>			
Share capital	13	511	360
Share premium	13	19,463,896	8,169,047
Share-based payment reserve	15	1,208,130	279,496
Retained earnings		(6,607,978)	(6,322,652)
		<b>14,064,559</b>	<b>2,126,251</b>
<b>Current liabilities</b>			
Trade and other payables	12	567,638	573,652
<b>Total current liabilities</b>		<b>567,638</b>	<b>573,652</b>
<b>Total liabilities</b>		<b>567,638</b>	<b>573,652</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,632,197</b>	<b>£2,699,903</b>

These financial statements were approved and authorised for issue by the Board on  
signed on its behalf

and

*Brian Ivory*

**Sir Brian Ivory**

Director

5th October 2020

The notes on pages 14 to 28 form part of these financial statements.

IPsx GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained earnings	Shared based payment reserve	Total equity
	£	£	£	£	£
Balance at 31 December 2017	294	4,107,811	(3,687,493)	279,496	700,108
Issue of Ordinary shares	66	4,061,236	-	-	4,061,302
Loss for the year	-	-	(2,635,159)	-	(2,635,159)
<b>Balance at 31 December 2018</b>	<b>360</b>	<b>8,169,047</b>	<b>(6,322,652)</b>	<b>279,496</b>	<b>2,126,251</b>
Issue of Ordinary shares (Note 13)	151	11,294,849	-	-	11,295,000
Recognition of equity-settled share based payments in the year (Note 15)	-	-	-	928,634	928,634
Loss for the year	-	-	(4,633,130)	-	(4,633,130)
<b>Balance at 31 December 2019</b>	<b>511</b>	<b>19,463,896</b>	<b>(10,955,782)</b>	<b>1,208,130</b>	<b>9,716,755</b>

The notes on pages 14 to 28 form part of these financial statements.

IPsx GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained earnings	Shared based payment reserve	Total equity
	£	£	£	£	£
Balance at 31 December 2017	294	4,107,811	(3,687,493)	279,496	700,108
Issue of Ordinary shares	66	4,061,236	-	-	4,061,302
Loss for the year	-	-	(2,635,159)	-	(2,635,159)
<b>Balance at 31 December 2018</b>	<b>360</b>	<b>8,169,047</b>	<b>(6,322,652)</b>	<b>279,496</b>	<b>2,126,251</b>
Issue of Ordinary shares (Note 13)	151	11,294,849	-	-	11,295,000
Recognition of equity-settled share based payments in the year (Note 15)	-	-	-	928,634	928,634
Loss for the year	-	-	(285,326)	-	(285,326)
<b>Balance at 31 December 2019</b>	<b>511</b>	<b>19,463,896</b>	<b>(6,607,978)</b>	<b>1,208,130</b>	<b>14,064,559</b>

The notes on pages 14 to 28 form part of these financial statements.

IPsx GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
<b>Cash flow from operating activities</b>			
Loss before taxation		(5,502,973)	(2,996,227)
<b>Adjustments to reconcile loss for the year to net cash flows from operating activities</b>			
Finance income / costs (net)	4	(62,021)	426
Share-based payment charge	15	928,634	-
Amortisation		69,032	-
Taxation received	7	-	454,544
<i>Working capital adjustments:</i>			
Decrease/(increase) in trade and other receivables		37,858	(141,708)
Increase/(decrease) in trade and other payables		21,467	(393,169)
<b>Net cash flows used in operating activities</b>		<b>(4,508,003)</b>	<b>(3,076,134)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire intangible fixed assets	9	(216,324)	(288,458)
<b>Net cash flows used in investing activities</b>		<b>(216,324)</b>	<b>(288,458)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	13	11,295,000	4,061,302
Finance income / costs (net)	4	62,021	(426)
<b>Net cash flow from financing activities</b>		<b>11,357,021</b>	<b>4,060,876</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,632,694</b>	<b>696,284</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>723,974</b>	<b>27,690</b>
<b>Cash and cash equivalents at end of year</b>	11	<b>7,356,668</b>	<b>723,974</b>

The notes on pages 14 to 28 form part of these financial statements.



## IPSX GROUP LIMITED

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

#### 1. INCORPORATION AND PRINCIPAL ACTIVITIES

The consolidated financial statements of IPSX Group Limited ("the company") and its subsidiary undertaking IPSX UK Limited ("the group") for the year ended 31 December 2019 were authorised for issue by the Board on 5 October 2020. The principal activity of the group is the development of a group of international property securities exchanges. The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The registered office is located at 15 Stratton Street, London, W1J 8LQ.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of preparation**

The financial statements are prepared under the historical cost convention, except for certain financial assets measured at fair value.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss for the company in the year was £285,326 (2018: £2,635,159).

The financial statements are presented in sterling pound ("£"), the functional currency of the company.

The company prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

##### **Basis of consolidation**

The consolidated financial statements present the results of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

##### **Basis of preparation - Going Concern**

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2019, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken an updated assessment of the viability of the innovative business model that the Group has established. This assessment takes account of the potential impact of the coronavirus pandemic on the commercial real estate markets, the Company and Group's liquidity position and financial forecasts including the mitigating actions within the control of the Directors.

The Company's wholly owned subsidiary, IPSX UK, secured its licence to operate a Regulated Investment Exchange in early 2019 and is operationally ready to manage the first issuer. As is the nature of many start-up and early stage businesses, the timing of revenue resulting from the first IPO for IPSX UK was always uncertain. Against a backdrop of political and economic uncertainty linked to the timing of Brexit, the coronavirus pandemic has added further challenge to the business given the resulting uncertainty in the global economic environment. As a result, the Directors have implemented a series of measures to underpin the sustainability of the Group.

## IPSX GROUP LIMITED

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

#### Basis of preparation - Going Concern (continued)

In particular, the Directors have taken immediate action to reduce costs and extend the Group's access to liquidity by:

- reducing discretionary or non-critical capital expenditure through delaying projects;
- negotiating with suppliers to reduce the Company's ongoing expenditure;
- deferring or cancelling discretionary spend, freezing non-essential recruitment and reducing marketing spend; and
- using current Government support schemes, where appropriate.

In terms of forecasts, particularly within IPSX UK, the Directors have reviewed a range of outcomes covering the development of the real estate market and have modelled a series of 'downside case' scenarios that cover the period to 31 December 2021. The scenarios represent increasingly severe outcomes and include assumptions relating to the estimates of the impact of:

- no IPOs for the remainder of 2020 with planned activity returning in 2021;
- no IPOs for the remainder of 2020, and a much reduced number of IPOs in 2021; and
- no IPOs during 2020 and 2021.

Under all scenarios, it is assumed that:

- the cost base remains static from mid-2020, save for contractual or inflationary increases;
- headcount remains flat throughout 2021; and
- routine maintenance technology development expenditure continues in 2020 to ensure the platform remains fit for purpose, with an adequate contingency.

As at 31 December 2019, the Company had net assets of £14.1m (Group: £9.7m). Liquidity as at that date was £275k (Group: £7.4m), made up of cash and cash equivalents. The Company had no undrawn third party facilities. At the year-end the Company had an outstanding loan made to IPSX UK Limited of £5.475 million repayable in January 2021. In September 2020, this loan was converted into 5,475,000 Ordinary Shares in IPSX UK. Also, subsequent to the year end, the Group has received a further £2.8m in equity investment from its existing shareholders.

Under the terms of IPSX UK's licence it has to retain a minimum cash balance of £1.9m to meet the orderly wind down of the business, should this prove necessary in certain predetermined circumstances. The Company will be failing in its regulatory obligations if its financial resources fall below this level. Under all forecast scenarios the company maintains this level of cash for the foreseeable future. In addition, the IPSX UK has agreed with the FCA to hold a further £3.6m of financial resources to act as an Operational Risk Buffer. The FCA accept that there will come a point where IPSX UK may wish to utilise the cash held for the purposes of the Operational Risk Buffer, in order to continue progressing the business. The FCA have explained whilst in principle this is acceptable, any depletion of the Operational Risk Buffer must be made whole again in time for any listing of an issuer on the Exchange. The Board are of the opinion that several investors in the Company, including the key strategic and corporate investors, will act rationally at this point immediately prior to an IPO, and offer up their financial support by way of further equity investment into the Company, which will subsequently be onward invested into IPSX UK. The investors have historically been extremely supportive of the Group as a whole, in a pre-revenue and pre-development status, and investment when IPSX UK is on the cusp of an inaugural IPO would very much be anticipated by the Board. However, such additional funding is not yet committed to the Company by the existing shareholders. Therefore as a result, there can be no certainty that a fundraising will be successful at the time required, albeit the Board have demonstrated their ability to raise funds from existing investors in the past.

Given the early stage nature of the Group there is a continued uncertainty over the timing of the completion of the first and subsequent IPOs. As noted above, this uncertainty has been amplified as a result of Brexit and the impact of the pandemic. Nevertheless, taking account of the uncertainty, the forecasts and mitigating actions available, the Directors have concluded the Group can continue in operation, has adequate resources to meet its liabilities as they fall due and therefore continue as a going concern for the foreseeable future.

## **IPSX GROUP LIMITED**

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

#### **Basis of preparation - Going Concern (continued)**

However, the need to raise additional funding which is explained above but which has not been secured or agreed at the date of approval of these financial statements represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **Significant accounting judgements and key sources of estimation uncertainty**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such judgements, estimates and assumptions which are based on management's best judgement at the date of the consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The most significant accounting judgement made during the year is regarding the potential impairment of the group's intangible assets. Management assesses annually whether there are indicators of impairment of the group's and company's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

#### **Turnover**

Turnover relates to membership fees received in the period and is recognised to the extent that it is probable that the economic benefits will flow the group and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes. Membership fees are recognised over the period to which they relate.

#### **Provisions**

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

#### **Income tax**

Income taxes include all taxes based upon the taxable profits of the company and the group. Other taxes not based on income, such as property and capital taxes, are included within operating expenses or financial expenses according to their nature.

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

## **IPSX GROUP LIMITED**

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

#### **Measurement of fair value**

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. The company and the group has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the company and the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair values at the end of the reporting period are approximately in line with their reported carrying values unless specifically mentioned in the notes to the consolidated financial statements.

#### **Defined contribution pension scheme**

The company and the group contributes to a defined contribution pension scheme. Once the contributions have been paid the company has no further obligations. The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Consolidated Statement of Financial Position.

#### **Intangible fixed assets**

An internally generated intangible asset arising from the company's and group's activity to acquire regulated licenses is recognised as an intangible asset only if all of the following conditions are met:

- an asset is created that can be identified (licenses and technology);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

The costs incurred in obtaining the regulatory license are measured at cost less provision for any impairment. On an annual basis, the company and group undertakes an impairment review of these intangible assets by comparing their recoverable amounts with their carrying amounts. The impairment review of the regulatory licenses concludes that, other than as already impaired in these consolidated financial statements, no provision for impairment is required because the company and group has sufficient liquid resources to maintain its business for the foreseeable future. The regulatory license costs have not been amortised as at the Consolidated Statement of Financial Position date as the company and the group has not started trading.

Intangible software assets relate to the cost of tailoring the trading platform from which the international property securities exchanges will operate. Software configuration costs are amortised over the period of the software lease agreement. Amortisation is charged on a straight line basis over 5 years on software assets once the software has been brought into use.

## **IPSX GROUP LIMITED**

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

#### **Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **Financial instruments**

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss; held to maturity investments; available for sale; and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial liabilities and equity instruments issued by the company and the group are classified according to the substance of the contractual arrangement entered into and definitions of a financial liability and an equity instrument.

##### *Trade and other receivables*

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income based on the expected loss model on recognition.

#### **Financial instruments**

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposit, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### *Trade and other payables*

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost.

##### *Equity instruments*

Equity instruments issued by the company and the group are recorded at the proceeds received, net of direct issue costs.

**IPSX GROUP LIMITED**

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

**Share based payments**

The company has issued share options to certain key suppliers in exchange for the provision of services as well as employees. The company has accounted for these under IFRS 2 Share-based payments. The fair value of the options granted is initially capitalised as an intangible asset where the services received for the options granted relate to the development of trading platform and associated support systems. The fair value of the other options are included within "staff costs". The fair value of options granted has been calculated using the Black-Scholes formula as it is not possible to value the options granted directly (refer Note 15).

**New and amended accounting standards adopted by the company**

The company and the group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16 Leases; and
- Annual Improvements 2015-2017 cycle.

The adoption of the new accounting standards did not have a material impact on the company's and group's consolidated financial statements.

**Standards issued but not yet effective**

There are no accounting standards which are anticipated to potentially have a material impact to the company that are effective for the annual periods beginning after 1 January 2020 and earlier application is permitted.

**3. LOSS FROM OPERATIONS**

The loss from operations is stated after charging:

	2019 £	2018 £
Consultancy fees	318,868	835,502
Professional services fees (including software providers)	1,500,711	936,186
Rent	233,654	198,081
Wages and salaries (Note 6)	3,006,565	771,821
Amortisation	69,032	-
Marketing	243,076	49,636
	2019 £	2018 £
<b>Fees payable to the Group's auditor in respect of:</b>		
Audit of the Group's financial statements	14,000	24,000
Amounts receivable by the company's auditor in respect of the audit of the subsidiary of the company	10,000	-
	<u>24,000</u>	<u>24,000</u>

**4. FINANCE (INCOME) / COSTS (NET)**

	2019 £	2018 £
Bank interest receivable	(47,191)	(287)
Other interest receivable	(15,867)	-
Bank charges	1,221	713
Exchange difference	(184)	-
	<u>(62,021)</u>	<u>426</u>

**IPSX GROUP LIMITED**

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

**5. DIRECTORS' REMUNERATION**

Directors remuneration for the year was £449,846. The highest paid director received remuneration of £252,240. 7 directors were in receipt of share options in the year and no share options were exercised in the year.

The group operates a defined contribution pension scheme available to all employees and no amounts were paid into this scheme in 2019 for directors (2018 – £Nil).

**6. STAFF COSTS**

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

	2019 £	2018 £
Employees (and directors)	<u>27</u>	<u>19</u>

Staff costs were made up as follows:

	2019 £	2018 £
Salaries and wages	1,828,456	595,907
Social security costs	222,672	121,778
Cost of defined contribution scheme (Note 19)	23,122	21,551
Share-based payments (Note 15)	928,634	-
Other (benefits in kind)	3,681	32,585
	<u>3,006,565</u>	<u>771,821</u>

**7. INCOME TAXES**

	2019 £	2018 £
UK corporation tax credit for the year	(710,365)	(311,500)
UK corporation tax credit in respect of prior years	(159,478)	(49,568)
	<u>(869,843)</u>	<u>(361,068)</u>

**IPSX GROUP LIMITED**

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

**Factors affecting tax credit for the year:**

	2019 £	2018 £
Loss for the year	<u>(5,502,973)</u>	<u>(2,996,227)</u>
Income tax expense calculated at 19.00% (2018 : 19.00%):	(1,045,565)	(569,283)
Expenses not deductible for tax purposes	189,904	41,259
Tax losses carried forward	614,963	528,024
R&D tax credit in respect of the current year	(469,667)	(311,500)
R&D tax credit in respect of prior years	<u>(159,478)</u>	<u>(49,568)</u>
Income tax credit recognised in the Statement of Comprehensive Income	<u>(869,843)</u>	<u>(361,068)</u>

During the year £Nil (2018: £454,544) was received as R&D tax credits, all of which related to prior years. An R&D tax credit of £710,365 is to be claimed in respect of 2019 (2018: £311,500) which is included in Other Receivables (Note 10).

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2018 and to 17% from 1 April 2020. A deferred tax asset has not been recognised in respect of the group's tax losses carried forward of £6,413,000 (2018: £4,907,532) due to the uncertainty of whether there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's potential deferred tax asset.

**8. INVESTMENTS**

	2019 £	2018 £
<b>Company</b>		
Investments	5,902,250	100
	<u>5,902,250</u>	<u>£100</u>

The following are subsidiary undertakings of the company:

Name	Country of incorporation	Business	Class of shares	Holding
IPSX UK Limited	United Kingdom	Development of international property securities exchanges.	Ordinary	100%

The registered office of IPSX UK Limited ("IPSX UK") is 15 Stratton Street, London W1J 8LQ. For the year ended 31 December 2019, IPSX UK recorded a loss of £4,348,076 (2018: £Nil) and at the year end has net assets of £1,554,174 (2018: £100).



IPSX GROUP LIMITED

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

9. INTANGIBLE FIXED ASSETS

	Software £	Regulatory licences £	Total £
<b>Group</b>			
<b>Cost</b>			
At 1 January 2019	699,750	770,345	1,470,095
Additions	235,908	13,938	249,846
<b>At 31 December 2019</b>	<b>935,658</b>	<b>784,283</b>	<b>1,719,941</b>
<b>Amortisation and impairment</b>			
As at 1 January 2019	-	(100,000)	(100,000)
Amortisation	(69,032)	-	(69,032)
<b>At 31 December 2019</b>	<b>(69,032)</b>	<b>(100,000)</b>	<b>(169,032)</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>866,626</b>	<b>684,283</b>	<b>1,550,909</b>
At 31 December 2018	699,750	670,345	1,370,095

	Software £	Regulatory licences £	Total £
<b>Company</b>			
<b>Cost</b>			
At 1 January 2019	699,750	770,345	1,470,095
Additions	235,908	13,938	249,846
Transfer to subsidiary undertaking	-	(784,283)	(784,283)
<b>At 31 December 2019</b>	<b>935,658</b>	<b>-</b>	<b>935,658</b>
<b>Amortisation and impairment</b>			
As at 1 January 2019	-	(100,000)	(100,000)
Amortisation	(69,032)	-	(69,032)
Transfer to subsidiary undertaking	-	100,000	100,000
<b>At 31 December 2019</b>	<b>(69,032)</b>	<b>-</b>	<b>(69,032)</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>866,626</b>	<b>-</b>	<b>866,626</b>
At 31 December 2018	699,750	670,345	1,370,095

IPsx GROUP LIMITED

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

10. TRADE AND OTHER RECEIVABLES

	2019 Group £	2018 Group £	2019 Company £	2018 Company £
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	5,475,000	-
<b>Due within one year</b>				
R&D taxation credit receivables (Note 7)	1,181,343	311,500	975,570	311,500
Prepayments	175,108	182,027	119,637	182,027
Other receivables	64,804	29,366	64,800	29,366
Amounts owed by group undertakings	-	-	939,112	-
VAT recoverable	16,464	82,841	13,439	82,841
	<b>1,437,719</b>	<b>605,734</b>	<b>7,587,558</b>	<b>605,734</b>

Amounts owed by group undertakings due after more than one year were to be repayable in January 2021 and attracted compound interest on a quarterly basis at LIBOR plus 4%. Amounts due within one year are interest free and repayable on demand. Subsequent to the year end, the repayment date was extended to January 2023. In September 2020, the loan principal was converted into 5,475,000 Ordinary Shares of £1 each in IPSX UK. The interest accrued up to the date of the loan conversion will remain on the balance sheet of IPSX UK and is repayable in January 2023. The accrued interest is non-interest bearing.

11. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the date of financial position as shown in the statement of cash flows can be reconciled to the related items as follows:

	2019 Group £	2018 Group £	2019 Company £	2018 Company £
Cash at bank and in hand	7,356,668	723,974	275,763	723,974
	<b>7,356,668</b>	<b>723,974</b>	<b>275,763</b>	<b>723,974</b>

IPSX GROUP LIMITED

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

12. TRADE AND OTHER PAYABLES

	2019 Group £	2018 Group £	2019 Company £	2018 Company £
Trade payables	190,767	312,272	169,425	312,272
Accruals	300,181	195,625	260,351	195,625
Other creditors	137,593	65,655	137,862	65,655
Amounts owed to group undertakings	-	-	-	100
	<b>628,541</b>	<b>573,552</b>	<b>567,638</b>	<b>573,652</b>

13. ISSUED CAPITAL

	Share capital		Share premium	
	2019 £	2018 £	2019 £	2018 £
<b>Company</b>				
36,019 Ordinary shares (2018: 36,019 Ordinary shares) at £0.01 per share	360	360	8,169,047	8,169,047
15,100 A Preferred Ordinary shares (2018: Nil) at £0.01 per share	151	-	11,294,849	-
	<b>511</b>	<b>360</b>	<b>19,463,896</b>	<b>8,169,047</b>

During the year, the company issued 15,100 A Preferred Ordinary shares at £750 per share. Issue costs of £30,000 were also incurred and have been deducted from the share premium.

Both Ordinary shares and A Preferred Ordinary shares rank equally and have the same voting rights, except that on liquidation, A Preferred Ordinary shares have preference over Ordinary shares.

**IPsx GROUP LIMITED**

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

**14. RELATED PARTY TRANSACTIONS**

The group has taken advantage of the exemption available under IAS 24, Related Party Disclosures, of non disclosure of transactions entered into between wholly owned members of a group. The directors of the company are key management personnel of the group. The following related party transactions took place between the directors and the group:

During the year ended 31 December 2019, A J Gahan charged consultancy fees of £100,000 (2018: £100,000). No fees were outstanding at 31 December 2019 (2018: £Nil). In addition, Wyvern Partners Group Limited, a company in which A J Gahan is a director, charged the group £Nil (2018: £200,000), of which £Nil (2018: £200,000) was outstanding at 31 December 2019. During the year, P Gahan, brother of A J Gahan, charged introductory fees of £Nil (2018: £37,500). No fees were outstanding at 31 December 2019 (2018: £Nil).

During the year ended 31 December 2019, Bould Consultancy Limited, a company controlled by R J Bould, a director of the company, invoiced the group £60,000 (2018: £60,000), in respect of marketing fees, of which £5,000 was outstanding at 31 December 2019 (2018: £5,000).

During the prior year, Sir B G Ivory advanced the group a short term loan of £25,000. This was repaid in full during the prior year and did not attract any interest.

The directors consider there to be no single controlling party.

**15. SHARE-BASED PAYMENT ARRANGEMENTS**

During the year, the company issued 4,205 share options in the year (2018: Nil), to various employees and consultants.

In prior years, the company entered into contracts with certain key suppliers whereby the company issued share options as a long-term incentive to ensure the overall service received by the company is of the highest standard. As such, it was not possible to directly measure the fair value of services received. Accordingly the measurement of the fair value was measured indirectly, by reference to the fair value of equity instruments granted.

The key terms and conditions attached to the options granted are set out below and all options are to be settled by the physical delivery of shares.

The fair value measurement has been conducted using the Black Scholes formula.

Grant date	Number of options granted	Vesting conditions	Contractual life of options
28 October 2016	248	None	5 years after FCA approval
1 December 2016	186	None	5 years
9 January 2019	3,013	Refer below	10 years
3 June 2019	42	Refer below	10 years
1 July 2019	350	Refer below	10 years
1 August 2019	800	Refer below	10 years
	<u>4,639</u>		

The options issued 9 January 2019 and 3 June 2019 vest in tranches over 3 years from the date of grant. In addition, 701 options lapse if the exit event values the group at less than £500 million 'high threshold options'. The other 2,326 options are referred to as 'standard options'. The options are also conditional on employees and consultants remaining with the group, or are not deemed 'bad leavers.' until an exit event occurs.

**IPSX GROUP LIMITED**

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

**15. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)**

The options issued 1 July 2019 and 1 August 2019 vest once certain performance based conditions are met, with the reminding thirds vesting on either the anniversary and subsequent anniversary of the date of commencement of employment, or the anniversary and subsequent anniversary of the meeting of the performance based conditions.

The inputs used in the measurement of the fair values at date of issue of the 2019 options were as follows:

Share price at date of grant	£750 / share
Exercise price	£0.01
Expected volatility	100%
Expected life	3 years
Expected dividends	Nil
Risk-free interest rate	0.50%
Fair value at date of grant for standard options	£750.00 / share
Fair value at date of grant for high threshold options	£112.50 / share

Expected volatility has been based on an evaluation of the historical volatility of the company's share price (based on share issues made). The expected term of the instruments has been based on the expected behavior of the option holder.

The share option charge recognised in the Consolidated Statement of Comprehensive Income is £928,634(2018: £Nil), refer Note 6.

The number and weighted-average exercise prices of share options were as follows:

	<b>Number of options</b>	<b>Weighted- average exercise price</b>
Outstanding at 1 January 2019	434	£450.00
Issued in the year	4,205	£0.01
Outstanding at 31 December 2019	<u>4,639</u>	<u>£42.11</u>

Only the options issued in 2016 were exercisable at the year end.

**16. FINANCIAL RISK MANAGEMENT**

The company and group predominantly finances its operations through equity. The company and group's finance requirements are reviewed by the Board when funds are required for operational working capital requirements.

The Board are responsible for managing fund requirements and investments which includes the company's banking and cash flow management. The treasury management function ensures adequate liquidity to meet the company's cash requirements.

The company's financial instruments comprise cash and various items such as trade and other receivables and trade and other payables that arise directly from its operations, to maintain working capital.

The main risk arising from the company's financial statements is liquidity risk. The Board reviews and agrees policies for managing this as summarised below.

**IPsx GROUP LIMITED**

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

**16. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that sufficient resources and flexibility is maintained to allow the company to meet its obligations without incurring unacceptable losses or risking damage to the name in the market place. The company manages liquidity risk by maintaining adequate financing and continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

**Group**

**Year ended 31 December 2019**

Non-derivative financial liabilities	Carrying amount (£)	Contractual cash flows (£)	6 months or less (£)	6-12 months (£)	1-5 years (£)	Over 5 years (£)
Trade and other payables	628,541	628,541	628,541	-	-	-

**Year ended 31 December 2018**

Non-derivative financial liabilities	Carrying amount (£)	Contractual cash flows (£)	6 months or less (£)	6-12 months (£)	1-5 years (£)	Over 5 years (£)
Trade and other payables	573,552	573,552	573,552	-	-	-

**Company**

**Year ended 31 December 2019**

Non-derivative financial liabilities	Carrying amount (£)	Contractual cash flows (£)	6 months or less (£)	6-12 months (£)	1-5 years (£)	Over 5 years (£)
Trade and other payables	567,638	567,638	567,638	-	-	-

**Year ended 31 December 2018**

Non-derivative financial liabilities	Carrying amount (£)	Contractual cash flows (£)	6 months or less (£)	6-12 months (£)	1-5 years (£)	Over 5 years (£)
Trade and other payables	573,652	573,652	573,652	-	-	-

## IPSX GROUP LIMITED

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

#### 17. FAIR VALUES MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments are not materially different from their carrying values at the reporting date.

#### 18. COMMITMENTS UNDER OPERATING LEASES

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

	2019 £	2018 £
Within 1 year	51,280	57,400
<b>Total</b>	<b>51,280</b>	<b>57,400</b>

The company had operating lease commitments of £12,160, within one year (2018: £57,400, within one year).

#### 19. PENSION COMMITMENTS

The company and group contributes to a defined contribution pension scheme for its employees. 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 and group to the fund and amounted to £23,122 (2018: £21,551). There were no contributions payable at the year end (2018: £Nil).

#### 20. CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the year (2018: £Nil).

#### 21. CAPITAL COMMITMENTS

There were no capital commitments at the end of the year (2018: £Nil).

#### 22. POST BALANCE SHEET EVENTS

Subsequent to the year end, a further 4,008 Ordinary shares and 900 A Preferred Ordinary shares were issued for a combined consideration of £2,711,426.

Furthermore since the year end, £2,700,000 was invested into IPSX UK in exchange for 2,700,000 Ordinary Shares of £1 each. Finally, the aforementioned loan was converted into 5,475,000 Ordinary Shares of IPSX UK.