Company Registration No. 09360325 (England and Wales)

QUANTESSENCE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

QUANTESSENCE LIMITED

COMPANY INFORMATION

Directors	PY Goemans	
	W Hautekiet	
	N Papadopoulos	(Appointed 2 July 2019)
	C Trempont	
	P De Clercq	
Company number	09360325 (England and Wales)	
Registered office	33 Cannon Street London EC4M 5SB	
Auditor	BDO LLP 150 Aldersgate Street London EC1A 4AB	

QUANTESSENCE LIMITED

CONTENTS

QUANTESSENCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities
The principal activity of the group in the year under review continued to be that of software design.

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

PY Goemans	
W Hautekiet	
N Papadopoulos	(Appointed 2 July 2019)
C Trempont	
P De Clercq	

REVIEW OF BUSINESS AND RISK ANALYSIS

Liquidity Risk
The Quantessence Group relies on equity funding from Euroclear SA. Quantessence Limited has a long-term credit facility with Euroclear SA on which it can draw whenever additional funding is required by its operating entities. In addition, the Quantessence Group has long term debt obligations towards its Director which are reimbursable when the company is profitable. With the financial support of Euroclear SA and the debt obligations being long term, the Directors have assessed the liquidity risk of the Group as low for the next twelve months.

Market Risk
The Group does not currently consider itself exposed to any market risks as it is still in the early stages of trading and holds no quoted investments.

Foreign Currency Risk
The Group currently has limited foreign currency exposure. The main exposure results from its developments in the Prague development centre. Volatility in the CZK-GBP exchange rate can have an impact on the Group's costs but will not threaten the Group's viability. The Group manages its foreign currency risk by periodically converting GBP to CZK to cover relatively long periods of operation (3 to 6 months). Should develop ments around Brexit lead to high volatility in the value of the British Pound, this could exacerbate the impact on the Group's costs. Over time, the Group expects part of its revenues to be non-GBP denominated. However, it is currently not possible to make long term projections regarding its foreign currency exposure. The Group is also subject to foreign currency exposure on the carrying value of the inter-company position between the Czech branch and Quantessence Financial Ltd.

Credit Risk
Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The Group has not provided any loans to third parties during the year under review and is therefore subject to minimal credit risk. In addition, the Group minimises credit risk on its cash balances by holding its funds with banks possessing strong investment grade ratings.

Brexit Risk
For the Group to be able to provide the entirety of its services to the EU, it relies on regulatory passporting. A Brexit strategy is in place in case passporting were to disappear. Business disruption for Quantessence is expected to be limited.

Coronavirus
The Covid-19 events have significantly influenced the financial markets early 2020. The group has considered the impact of the emergence and spread of Coronavirus and potential implications on future operations. At the end of Q1 2020, the longer term impact this event will have on Quantessence cannot be quantified reliably. Having made enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that Quantessence has adequate resources to continue to operate for the foreseeable future. The Group does not believe the Coronavirus developments will lead to a lack of liquidity for the Group over the next 12 months. For this reason, the directors continue to adopt the 'going concern' basis in preparing the financialstatements. The impact this crisis may have on Quantessence's future profitability and balance sheet structure is under management's scrutiny. Quantessence is closely monitoring the situation on the markets and is taking all necessary measures to deliver a high level of service to its clients.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- ensure they have been prepared in accordance with IFRSs as adopted by the European Union, 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.

Statement of disclosure to auditor
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 auditor is 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 auditor is aware of that information.

On behalf of the board

Peter De Clercq
Director
Date: 3 April 2020

QUANTESSENCE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUANTESSENCE LIMITED

Opinion

We have audited the financial statements of Quantessence Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the parent company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the parent company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies At 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 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 IFRSs asadopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 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.

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.

Kelly Sheppard, Senior Statutory Auditor
for and on behalf of BDO LLP (Statutory Auditor)
150 Aldersgate Street
London
EC1A 4AB

Date:..3 April 2020
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BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

QUANTESSENCE LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue		5,887	18,000
Cost of sales		(20,054)	-
Gross (loss)/profit		(14,167)	18,000
Administrative expenses		(1,447,388)	(951,032)
Operating loss	4	(1,461,555)	(938,985)
Investment revenues	7	344	1,381
Finance costs	8	(35,966)	(5,953)
Other gains and losses	9	(3,401)	-
Loss before taxation		(1,500,578)	(937,604)
Income tax income	10	20,710	51,229
Loss and total comprehensive income for the year	21	(1,479,868)	(886,375)

The income statement has been prepared on the basis that all operations are continuing operations.

The notes form part of these financial statements.

QUANTESSENCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Intangible assets	11	2,047,876	1,592,609
Property, plant and equipment	12	41,832	15,348
		2,089,708	1,607,957
Current assets			
Trade and other receivables	13	122,872	61,622
Current tax recoverable		-	111,198
Cash and cash equivalents		783,053	1,159,623
		905,925	1,332,443
Total assets		2,995,633	2,940,400
Current liabilities			
Trade and other payables	15	204,743	95,592
Current tax liabilities		37,061	-
Borrowings	14	29,496	5,557
Lease liabilities	16	7,371	-
		278,671	101,149
Net current assets		627,254	1,231,294
Non-current liabilities			
Borrowings	14	1,434,047	101,455
Lease liabilities	16	22,289	-
Deferred tax liabilities	17	2,862	2,862
Retirement benefit obligations	18	2,714	-
		1,461,912	104,317
Total liabilities		1,740,583	205,466
Net assets		1,255,050	2,734,934
Equity			
Called up share capital	19	269	286
Share premium account	20	3,624,815	3,624,815
Retained earnings	21	(2,370,034)	(890,167)
Total equity		1,255,050	2,734,934

The notes form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 3 April 2020 and are signed on its behalf by:

Peter De Clercq
Director

Company Registration No. 0936032

QUANTESSENCE LIMITED

STATEMENT OF FINANCIAL POSITION – SINGLE ENTITY

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	**12**	-	283
Investments	**22**	4,917,002	3,625,002
		4,917,002	3,625,285
Current assets			
Trade and other receivables	**13**	4,812	30
Cash and cash equivalents		839	162
		5,651	192
Total assets		4,922,653	3,625,477
Current liabilities			
Trade and other payables	**15**	29,409	34,404
Borrowings	**14**	29,496	-
		58,905	34,404
Net current liabilities		(53,254)	(34,212)
Non-current liabilities			
Borrowings	**14**	1,395,752	55,900
Total liabilities		1,454,657	90,304
Net assets		3,467,996	3,535,173
Equity			
Called up share capital	**19**	269	286
Share premium account	**20**	3,624,815	3,624,815
Retained earnings	**21**	(157,088)	(89,928)
Total equity		3,467,996	3,535,173

The financial statements were approved by the board of directors and authorised for issue on 3 April 2020 and are signed on its behalf by:

Peter De Clercq
Director

Company Registration No. 09360325

QUANTESSENCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
Balance at 1 January 2018		156	1,099,944	(3,792)	1,096,308
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(886,375)	(886,375)
Issue of share capital	19	130	2,524,871	-	2,525,001
Balances at 31 December 2018		286	3,624,815	(890,167)	2,734,934
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(1,479,867)	(1,479,867)
Reduction in shares	19	(17)	-	-	(17)
Balances at 31 December 2019		269	3,624,815	(2,370,034)	1,255,050

The notes form part of these financial statements.

QUANTESSENCE LIMITED

STATEMENT OF CHANGES IN EQUITY – SINGLE ENTITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
Balance at 1 January 2018		156	1,099,944	(62,049)	1,038,051
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(27,879)	(27,879)
Issue of share capital	15	130	2,524,871	-	2,525,001
Balances at 31 December 2018		286	3,624,815	(89,928)	3,535,173
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(67,160)	(67,160)
Reduction in shares	15	(17)	-	-	(17)
Balances at 31 December 2019		269	3,624,815	(157,088)	3,467,996

The notes form part of these financial statements

QUANTESSENCE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	**£**	**£**	**£**	**£**
Cash flows from operating activities					
Cash absorbed by operations	**26**		(1,157,869)		(1,199,438)
Interest paid			(35,966)		(5,953)
Tax refunded			168,969		10,045
Net cash outflow from operating activities			(1,024,866)		(1,195,346)
Investing activities					
Purchase of intangible assets		(725,775)		(666,505)	
Purchase of ROU asset		(27,473)		-	
Purchase of property, plant and equipment		(8,259)		(7,586)	
Proceeds on disposal of property, plant and equipment		320		-	
Interest received		344		1,381	
Net cash used in investing activities			(760,843)		(672,710)
Financing activities					
Proceeds from issue of shares		-		2,525,000	
Redemption of shares		(17)		-	
Proceeds from borrowings		1,379,496		-	
Payment of lease liabilities		29,660		-	
Net cash generated from financing activities			1,409,139		2,525,000
Net (decrease)/increase in cash and cash equivalents			(376,570)		656,944
Cash and cash equivalents at beginning of year			1,159,623		502,679
Cash and cash equivalents at end of year			783,053		1,159,623

The notes form part of these financial statements.

1 Accounting policies

Company information

Quantessence Limited is a private company limited by shares incorporated in England and Wales. The registered office is 33 Cannon Street, London, United Kingdom, EC4M 5SB.

1.1 Accounting convention

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated). The financial statements are consolidated with two wholly owned subsidiaries.

Functional and presentational currency

The consolidated financial statements for the year ended 31 December 2019 are presented in GBP sterling using the currency of the primary economic environment in which the entity operates.

Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

1.2 Going concern

The Group has successfully raised finance to provide funding for its activities and to augment its working capital. In light of the Coronavirus pandemic and as referred to in the Directors Report, having regard to the Group's existing working capital position and its ability to raise potential financing, if required, the Directors are of the opinion that the Group has adequate resources to enable it to undertake its planned activities over the next twelve months.

1.3 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services or group re-charges in the ordinary course of the Group's activities. Fee income represents a return for services rendered and is recognised when the service is performed. All revenue is derived from the UK operating segment.

1 Accounting policies **(Continued)**

1.4 Intangible assets other than goodwill

Development costs
Intangible assets arising from the development (or development phase of a project) should be recognised in the statement of financial position of the intellectual owner of the asset developed, if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset;
- its intention to complete the intangible asset and use it;
- its ability to use it;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- its availability to measure the expenditure attributable to the intangible asset during its development reliably.

All costs relating to the research phase of the project are to be recognised as an expense immediately.

Development costs, once completed, will be amortised on a straight-line basis over its useful finite life estimated at 5 years.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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:

Leasehold buildings	Over 7 years - straight line basis
Fixtures and fittings	Over 7 years - straight line basis

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 recognised in the income statement.

1.6 Impairment of tangible and intangible assets

At each period end the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (in any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies **(Continued)**

1.6 Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case impairment loss is treated as a valuation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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 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 assets

Financial instruments are recognised in the Group's statement of financial position when the Group becomes party to the contractual provision of the instrument. Financial assets and liabilities are offset with the net presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The group has financial assets primarily in the form of trade and other receivables and cash and cash equivalents. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised in the balance sheet on settlement date at fair value plus directly related transaction costs, if any, when cash is advanced to the borrowers. They are subsequently measured at amortised costs using the effective interest method.

1.9 Financial liabilities

The Group has financial liabilities primarily in the form of trade and other payables. These liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

Basic financial liabilities including trade payables and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes as financing transaction where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost.

Borrowings are initially measured at fair value, being the issued proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

1 Accounting policies **(Continued)**

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

1.10 Taxation

Current tax

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules; using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax credits. Deferred tax assets are measured at the highest amount that current and estimated future taxable profit is more likely than not to be recovered. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the rates that are expected to apply to the taxable profit (or tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.11 Retirement benefits

The Group operates a defined contribution pension plan. A defined contribution plan is one where the group pays fixed contributions into a separate entity. These contributions are expensed in the period in which the employees rendered the services entitling them to the benefits.

1 Accounting policies **(Continued)**

1.12 Leases

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at the present value of future minimum lease payments discounted at the effective market rate and adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.13 Foreign exchange

The Group uses sterling as both its functional and presentational currency. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

1.14 Borrowings

Borrowings are recognised initially at fair value, being the issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings with a convertible element are initially recognised at the present value of the future cash flows and subsequently amortised over the term of the agreement using the effective interest rate method. The difference between the present value and the fair value of the borrowings is expensed in the profit and loss account.

Preference shares are classified as financial liabilities and are presented in other borrowed funds.

1.15 Administrative expenses

Administrative charges are recognised on a straight-line basis over the reporting period to which they relate.

2 Adoption of new and revised standards and changes in accounting policies

The Group adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

2 Adoption of new and revised standards and changes in accounting policies **(Continued)**

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

<table>
<tr><th>Classification under IAS 17</th><th>Right-of-use assets</th><th>Lease liabilities</th></tr>
<tr><td>Operating leases that meet the definition of investment property in IAS 40 (see note 16)</td><td>Fair value as at 1 January 2019.</td><td rowspan="2">Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 5%.</td></tr>
<tr><td>All other operating leases</td><td>Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.</td></tr>
<tr><td>Finance leases</td><td colspan="2">Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).</td></tr>
</table>

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

		31 December 2018	IFRS 16 adjustments	1 January 2019
		£	£	£
Assets				
Leasehold property	(a)	-	34,799	34,799
Liabilities				
Lease liabilities	(b)	-	36,676	36,676
Equity				
Retained earnings	(c)	-	1,878	1,878

(a) Leasehold property was adjusted for operating leases under IAS 17 that had not previously been accounted for 'on balance sheet'. They have been recognised based on their fair value as at 1 January 2019.

(b) The following table reconciles the minimum lease commitments disclosed in the Group's December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

2 Adoption of new and revised standards and changes in accounting policies (Continued)

	1 January 2019
	£
Minimum operating lease commitment at 31 December 2018	78,289
Less: short-term leases not recognised under IFRS 16	(53,565)
Less: other operating commitment excluded from the scope of IFRS 16	(8,458)
Plus: effect of extension options reasonably certain to be exercised	26,611
Undiscounted lease payments	42,877
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(6,201)
Lease liability as at 1 January 2019	36,676

(c) Retained earnings were adjusted to record the net effect of all other adjustments noted.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The general consensus is that an entity is required to use judgement to determine whether each tax treatment should be considered independently or collectively; an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all the relevant information when doing so; and an entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. The Group has assessed the current income tax treatments of items mentioned in the IFRIC Interpretation 23 to determine whether these items are subject to any uncertainties under IAS 12 or have been subject to any uncertainties or tax investigations in the past. The Group has concluded that there were no changes in facts or circumstances which have affected previous estimates and judgements and that the current tax treatment currently adopted is in line with IAS 12.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

Quantessence Group is currently assessing the impact of these new accounting standards and amendments.

3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The Directors' deem the only critical accounting estimate and judgement applied in the preparation of these financial statements to be that relating to amortisation and depreciation of fixed assets and the impairment of intangible assets, as described in note 1.6

4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	15,228	23,298
Fees payable to the company's auditor for the audit of the Group's financial statements	15,000	17,000
Depreciation of property, plant and equipment	7,330	3,702
Loss on disposal of property, plant and equipment	1,971	-
Amortisation of intangible assets	238,891	-

5 Employees

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

	2019	2018
	Number	Number
Directors	3	4
Product Development	9	7
	12	11

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	955,310	811,584
Social security costs	108,254	103,214
Pension costs	11,885	7,351
	1,075,448	922,149

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	215,871	280,000
Company pension contributions to defined contribution schemes	5,070	4,025
	220,941	284,025

During the year ended 31 December 2019 £229,402 (2018: £209,323) of UK gross wages costs and £278,093 (2018: £360,418) of gross Czech wages costs have been capitalised as part of the intangible asset IP development project - see intangible assets note 10. The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 – 3)

7 Investment income

	2019	2018
	£	£
Interest income		
Bank deposits	344	-
Other interest income	-	1,381
Total interest revenue	344	1,381

8 Finance costs

	2019	2018
	£	£
Interest on lease liabilities	95	-
Other interest payable	35,871	5,953
Total interest expense	35,966	5,953

9 Other gains and losses

	2019	2018
	£	£
Change in the value of financial liabilities	(3,401)	-

10 Income tax expense

	2019	2018
	£	£
Current tax		
UK Corporation tax on profits for the current period	(316)	(52,039)
Adjustments in respect of prior periods	(21,026)	-
Total UK current tax	(21,026)	(52,039)
Foreign taxes and reliefs	316	-
	(20,710)	(52,039)

10 Income tax expense **(Continued)**

The charge for the year can be reconciled to the loss per the income statement as follows:

	2019 £	2018 £
Loss before taxation	(1,500,578)	(937,604)
Expected tax credit based on a corporation tax rate of 19.00%	(285,110)	(178,145)
Non-deductible expenses	1,651	52,404
Adjustment in respect of prior years	21,026	-
Amortisation	45,389	-
Depreciation	1,393	631
Capital allowances	(1,569)	(1,441)
Changes in FV	646	-
Other tax adjustments	195,864	75,322
Taxation credit for the year	(20,710)	(51,229)
Tax charged in the financial statements	(20,710)	(51,229)

During the year ended 31 December 2019, the tax rate has remained at 19%. No liability to corporation tax arises from results in the period.

11 Intangible assets - Group

	Development costs
	£
Cost	
At 1 January 2018	926,107
Additions	666,501
At 31 December 2018 and 1 January 2019	1,592,608
Additions - internally generated	725,775
At 31 December 2019	2,318,384
Amortisation and impairment	
Charge for the year	238,891
Impairment loss	31,617
At 31 December 2019	270,508
Carrying amount	
At 31 December 2019	2,047,876
At 31 December 2018	1,592,608

More information on the impairment arising in the year is given in note 1.6.

The intangible assets as outlined within the accounting policy relates to internally generated intangible assets as a consequence of the ongoing IP development process in 2019 and the existing IP value of the platform which was capitalised in 2018. The group decided to impair a portion of the intangible asset capitalised with regards to time spent by a developer on front-end works which no longer had value.

12 Property, plant and equipment - Group

	Leasehold land and buildings	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2018	51,282	18,326	18,326
Additions	-	7,586	7,586
At 31 December 2018 and 1 January 2019	51,282	25,912	25,912
Additions	-	8,259	8,259
Disposals	-	(4,010)	(4,010)
At 31 December 2019	51,282	30,161	81,443

Property, plant and equipment – Group **(Continued)**

	Leasehold land and buildings	Fixtures and fittings	Total
	£	£	£
Accumulated depreciation			
At 1 January 2018	9,158	6,862	6,862
Charge for the year	7,326	3,702	3,702
At 31 December 2018 and 1 January 2019	16,484	10,564	10,564
Charge for the year	7,326	6,956	14,282
Eliminated on disposal	-	(1,719)	(1,719)
At 31 December 2019	23,810	15,801	39,611
Carrying amount			
At 31 December 2019	27,472	14,360	41,832
At 31 December 2018	-	15,348	15,348

Property, plant and equipment – Single Entity

	Fixtures and fittings
	£
Cost	
At 1 January 2018	2,637
At 31 December 2018	2,637
At 31 December 2019	2,637
Accumulated depreciation and impairment	
At 1 January 2018	1,978
Charge for the year	376
At 31 December 2018	2,354
Charge for the year	283
At 31 December 2019	2,637
Carrying amount	
At 31 December 2018 & 31 December 2019	283

13 Trade and other receivables - Group

	2019	2018
	£	£
Trade receivables	1,351	18,003
Other receivables	18,748	10,513
VAT recoverable	59,917	25,891
Prepayments	42,856	7,218
	122,872	61,625

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade and other receivables – Single Entity

	2019	2018
	£	£
Other receivables	30	30
VAT recoverable	4,782	-
	4,812	30

14 Borrowings - Group

	2019	2018
	£	£
Unsecured borrowings at amortised cost		
Redeemable preference shares	2,000	2,000
Directors' loans	78,646	110,569
Loans from parent undertaking	1,382,897	-
	1,463,543	112,569

1,000 Preferred A shares of £1 each are redeemable on notice following payment of a relevant dividend in respect of accounting period 31 December 2020. Preferred A shares shall not entitle the holders thereof to receive notice of, attend or vote at general meetings of the company.

1,000 Preferred B shares of £1 each are redeemable on notice following payment of a relevant dividend in respect of accounting period 31 December 2021. Preferred B shares shall not entitle the holders thereof to receive notice of, attend or vote at general meetings of the company.

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£	£
Current liabilities	29,496	5,557
Non-current liabilities	1,434,047	107,012
	1,463,543	112,569

Borrowings – Single Entity

	2019	2018
	£	£
Unsecured borrowings at amortised cost		
Redeemable preference shares	2,000	2,000
Directors' loans	40,351	53,900
Loans from parent undertaking	1,382,897	-
	1,425,248	55,900

15 Trade and other payables - Group

	2019	2018
	£	£
Trade payables	4,085	14
Accruals	153,816	31,619
Social security and other taxation	28,353	31,924
Other payables	18,489	26,480
	204,743	90,037

Trade and other payables – Single Entity

	2019	2018
	£	£
Amounts owed to group undertakings	29,407	34,402
Other creditors	2	2
	29,409	34,404

16 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£	£
Current liabilities	7,371	-
Non-current liabilities	22,289	-
	29,660	-

	2019	2018
Amounts recognised in profit or loss include the following:	£	£
Interest on lease liabilities	95	-

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Other leasing information is included in note 23.

17 Deferred taxation - Group

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs
	£
Deferred tax liability at 1 January 2018	2,053
Deferred tax movements in prior year	
Provision during the year	809
Deferred tax liability at 1 January 2019 and 31 December 2019	2,862

	2019	**2018**
	£	**£**
Deferred tax liabilities	2,862	2,862

18 Retirement benefit schemes

Defined contribution schemes

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.

The total costs charged to income in respect of defined contribution plans is £7,437 (2018 - £4,215).

19 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
26,871 ordinary shares of £0.01 each	269	286

The share capital has decreased from £286 in 2018 to £269 in 2019 as a result of 1,700 shares purchased back by the company for cancellation. The number of shares has decreased from 28,571 in 2018 to 26,871 in 2019 accordingly.

20 Share premium account

	2019	2018
	£	£
At 1 January	3,624,815	1,099,944
Issue of new shares	-	2,524,871
At 31 December	3,624,815	3,624,815

21 Retained earnings - Group

	2019	2018
	£	£
At 1 January	(890,166)	(3,792)
Loss for the year	(1,479,868)	(886,375)
At 31 December	(2,370,034)	(890,167)

Retained earnings – Single Entity

	2019	2018
	£	£
At 1 January	(89,928)	(62,049)
Loss for the year	(67,160)	(27,879)
At 31 December	(157,088)	(89,928)

22 Investments – Single Entity

	£
Cost	
At 1 January 2018	3,625,002
Additions	1,292,000
At 31 December 2019	4,917,002
Net Book Value	
At 31 December 2019	4,917,002
At 31 December 2018	3,625,002

During the year, Quantessence Limited subscribed to 2 additional ordinary shares in Quantessence Financial Limited and 1 additional ordinary share in Quantessence Technology Limited of £1 each for cash at an aggregate subscription price of £1,292,000.

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Quantessence Technology Limited
Registered office: 33 Cannon Street, London, EC4M 5SB
Nature of business: Ring Fencing of Quantessence Software

Class of shares:	% holding
Ordinary A	100.00

	2019 £	2018 £
Aggregate capital and reserves	24,281	(156,662)
Profit/(Loss) for the year	943	(218,925)

Quantessence Financial Limited
Registered office: 33 Cannon Street, London, EC4M 5SB
Nature of business: Software Design

Class of shares:	% holding
Ordinary	100.00

	2019 £	2018 £
Aggregate capital and reserves	2,679,554	2,981,426
Loss for the year	(1,413,872)	(639,570)

23 Other leasing information

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

Land and buildings	**2019** £	**2018** £
Within one year	68,057	50,400
Between two andfive years	-	27,889
	68,057	78,289

24 Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern so that they can, moving forward, provide returns for shareholders and benefits to other stakeholders as well as maintain an optimal capital structure to reduce the cost of capital. The management also manages its capital to be compliant with FCA regulations and to cover any adverse effects of potential operational losses.

The capital management is done in collaboration with the Board and Euroclear SA.

25 Related party transactions

The remuneration of the directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures.*

Key management personnel
The key management personnel in the year ended 31 December 2019 are the directors of the business led by Peter De Clercq. Management does not have any post-employment benefits.

Other transactions with related parties
During the year the company entered into the following transactions with related parties:

Invoiced £Nil (2018: £18,000) in fee income to Euroclear SA. At the year end, £Nil (2018: £18,000) was owed by Euroclear SA.

At the year end, £78,646 (2018: £110,569) was due to the directors of the company in respect of their directors' loan account. Interest of £6,375 (2018: £1,749) was payable on these loans during the year. Interest at the rate of 3.2% per annum is chargeable on the loan and accrues for four years and six months from 9 May 2017. The loan is repayable in part or in full on demand provided the demanded amount is not less than £5,000.

26 Controlling party

The ultimate controlling party is Euroclear Holding SA with registered office address 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium.

27 Events After the Reporting Date

On 17th February 2020, Euroclear SA agreed on an additional intragroup convertible loan of £1,200,000 to Quantessence Ltd for general operational and capital needs.

28 Cash absorbed by operations

	2019	2018
	£	£
Loss for the year after tax	(1,479,868)	(886,375)
Adjustments for:		
Taxation credited	(20,710)	(51,229)
Finance costs	35,966	5,953
Finance income	(344)	(1,381)
Loss on disposal of property, plant and equipment	1,971	-
Amortisation and impairment of intangible assets	270,508	221,199
Depreciation and impairment of property, plant and equipment	6,956	3,702
Other gains and losses	3,401	-
Defined contribution pension scheme non-cash movement	2,714	-
Movements in working capital:		
Increase in trade and other receivables	(61,247)	(40,732)
Increase/(decrease) in trade and other payables	82,784	(450,575)
Cash absorbed by operations	(1,157,869)	(1,199,438)