

Company Registration No. 09759504 (England and Wales)

QUANTESSANCE FINANCIAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



QUANTESSENCE FINANCIAL LIMITED

COMPANY INFORMATION

Directors

Peter De Clercq
Wim Hautekiet
Nikolaos Papadopoulos

Company number

09759504 (England and Wales)

Registered office

33 Cannon Street
2nd Floor
London
EC4M 5SB

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

QUANTESSENCE FINANCIAL LIMITED

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QUANTESSENCE FINANCIAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company continued to be that of software design in support of the Euroclear Quantessence platform. The platform provides technological support to financial institutions for a range of financial products that require efficient calculations, asset rebalancing and order management.

Directors

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

Peter De Clercq
Wim Hautekiet
Nikolaos Papadopoulos

REVIEW OF BUSINESS AND RISK ANALYSIS

Liquidity Risk

Quantessence Financial Limited relies on equity funding invested by Quantessence Limited which in turn has been sourced from Euroclear SA. Furthermore, Quantessence Financial Limited has small, long-dated debt obligations to its Director which are reimbursable when the company is profitable. Its obligations are long dated and Quantessence Financial Limited does not face liquidity risk for the next twelve months.

Market Risk

Quantessence Financial Limited does not currently consider itself exposed to market risks. The company holds no quoted investments and its fee structure is sufficiently diversified to limit exposure to financial asset prices.

Foreign Currency Risk

The company 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 company's costs but will not threaten the company's viability. The company manages its foreign currency risk by periodically converting GBP to CZK to cover relatively long periods of operation (3 to 6 months). Moreover, currency risk against GBP can be offset by the fact that the company's revenues are also non-GBP denominated. The company is also subject to foreign currency exposure on the carrying value of the inter- company position between the Czech branch and UK company.

Credit Risk

The only credit obligations at the balance sheet date are in respect of trade debtors. In addition, Quantessence Financial Limited minimises the credit risk on its cash balance by holding its funds in deposit with banks with an investment grade rating.

Brexit Risk

Some of the company's activities can be classified under MIFID as the Receipt and Transmission of Orders. In order to be able to provide these services in the EU, the company needs approval by EU regulators. The company has been working with those regulators to ensure that approvals are in place when needed. Business disruption for the company is expected to be limited.

COVID-19

The Covid-19 events have demonstrated the resilience of the company and its Business Continuity Management. Whilst the pandemic has initially led to a delay in some of the company's projects, it has since reinforced the company's value proposition, generating additional interest from clients who require technological support but have limited resources to build systems in-house. The company's operations have not been impacted by the pandemic. The company continues to closely monitor the situation on the markets and is taking all necessary measures to deliver a high level of service to its clients.

QUANTESSENCE FINANCIAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Our stakeholders: Section 172 Statement

Duty to promote the success of the company

Section 172(1) of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The importance of the stakeholder considerations, in particular in the context of decision-making, is taken into account at every board and committee meeting. All discussions involve careful considerations of the longer-term consequences of any decisions and their implications for stakeholders.

This Section 172 Statement sets out how the Directors have discharged this duty:

In order for the Company to succeed in the long-term, the Board must build and maintain successful relationships with a wide range of stakeholders. The Board recognises that the long-term success of the Company is dependent on how it works with a number of important stakeholders.

The Board's decision-making process considers both risk and reward in the pursuit of delivering the long-term success of the Company. As part of the Board's decision-making process, the Board considers the interests of a broad range of the Company's stakeholders – including the impact of its decisions on regulators, employees, clients, suppliers and the local community as well as shareholders.

The Board fulfils its duties in collaboration with the senior management team, to which day-to-day management has been delegated. The Board seeks to understand stakeholder groups' priorities and interests. The Board listens to stakeholders through a combination of information provided by management and also by direct engagement where appropriate.

QUANTESSENCE FINANCIAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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) in conformity with the Companies Act 2006. 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 in conformity with the Companies Act 2006, 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

Each director in office at the date of approval of this annual report confirms 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 he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



.....
Peter De Clercq
Director

Date: 27 April 2021

QUANTESSENCE FINANCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUANTESSENCE FINANCIAL LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Quantessence Financial Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

QUANTESSENCE FINANCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF QUANTESSENCE FINANCIAL LIMITED

Other Companies Act 2006 reporting

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

QUANTESSANCE FINANCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF QUANTESSANCE FINANCIAL LIMITED

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of noncompliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and local tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included compliance with Companies Act, 2006.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance;
- performing test of detail on revenue transactions; and
- addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

QUANTESSENCE FINANCIAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF QUANTESSENCE FINANCIAL LIMITED

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.

BDO LLP

Kelly Sheppard (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London

27 April 2021
.....

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

QUANTESSANCE FINANCIAL LIMITED**INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Notes | 2020 £ | 2019 £ |
|---|----------|--------------------|--------------------|
| Revenue | | 1,720 | 5,887 |
| Cost of sales | | (303,895) | (20,054) |
| Gross loss | | (302,175) | (14,167) |
| Other operating income | | - | 35,357 |
| Administrative expenses | | (1,357,485) | (1,455,819) |
| Operating loss | 4 | (1,659,660) | (1,434,629) |
| Investment revenues | 7 | 266 | 3,246 |
| Finance costs | 8 | (1,222) | (3,199) |
| Loss before taxation | | (1,660,616) | (1,434,582) |
| Income tax income | 9 | 121,641 | 20,710 |
| Loss and total comprehensive income for the year | | (1,538,975) | (1,413,872) |

The income statement has been prepared on the basis that all operations are continuing operations.
The notes form part of these financial statements.

QUANTESSENCE FINANCIAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

| | Notes | 2020 £ | 2019 £ |
|--------------------------------|-------|------------------|------------------|
| Non-current assets | | | |
| Intangible assets | 11 | 2,547,613 | 2,047,876 |
| Property, plant and equipment | 12 | 32,913 | 41,831 |
| Other receivables | 13 | 8,313 | 48,453 |
| | | <u>2,588,839</u> | <u>2,138,160</u> |
| Current assets | | | |
| Trade and other receivables | 13 | 103,123 | 74,526 |
| Current tax recoverable | | 122,842 | - |
| Cash and cash equivalents | | 510,728 | 782,231 |
| | | <u>736,693</u> | <u>856,757</u> |
| Total assets | | <u>3,325,532</u> | <u>2,994,917</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 426,511 | 204,771 |
| Current tax liabilities | | - | 37,061 |
| Lease liabilities | 16 | 7,987 | 7,371 |
| | | <u>434,498</u> | <u>249,203</u> |
| Net current assets | | <u>302,195</u> | <u>607,554</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | 36,007 | 38,295 |
| Lease liabilities | 16 | 13,993 | 22,289 |
| Deferred tax liabilities | 17 | 2,457 | 2,862 |
| Retirement benefit obligations | 18 | 2,998 | 2,714 |
| | | <u>55,455</u> | <u>66,160</u> |
| Total liabilities | | <u>489,953</u> | <u>315,363</u> |
| Net assets | | <u>2,835,579</u> | <u>2,679,554</u> |

QUANTESSENCE FINANCIAL LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

| | Notes | 2020 £ | 2019 £ |
|-------------------------|-------|------------------|------------------|
| Equity | | | |
| Called up share capital | 19 | 8 | 5 |
| Share premium account | 20 | 6,431,993 | 4,736,996 |
| Retained earnings | | (3,596,422) | (2,057,447) |
| Total equity | | <u>2,835,579</u> | <u>2,679,554</u> |

The notes form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 April 2021 and are signed on its behalf by:



.....
Peter De Clercq
Director

Company Registration No. 09759504

QUANTESSENCE FINANCIAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| | | Share capital | Share premium account | Retained earnings | Total |
|--|-------|------------------|-----------------------------|----------------------|-------------|
| | Notes | £ | £ | £ | £ |
| Balance at 1 January 2019 | | 3 | 3,624,998 | (643,575) | 2,981,426 |
| Year ended 31 December 2019: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (1,413,872) | (1,413,872) |
| Issue of share capital | 19 | 2 | 1,111,998 | - | 1,112,000 |
| Balances at 31 December 2019 | | 5 | 4,736,996 | (2,057,447) | 2,679,554 |
| Year ended 31 December 2020: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (1,538,975) | (1,538,975) |
| Issue of share capital | 19 | 3 | 1,694,997 | - | 1,695,000 |
| Balances at 31 December 2020 | | 8 | 6,431,993 | (3,596,422) | 2,835,579 |

The notes form part of these financial statements.

QUANTESSENCE FINANCIAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Notes | 2020 £ | £ | 2019 £ | £ |
|---|-------|-------------|---|-----------|---|
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 26 | (1,058,450) | | (926,720) | |
| Interest paid | | (1,148) | | (3,199) | |
| Tax (paid)/refunded | | (38,667) | | 168,969 | |
| Net cash outflow from operating activities | | (1,098,265) | | (760,950) | |
| Investing activities | | | | | |
| Purchase of intangible assets | | (859,994) | | (725,775) | |
| Purchase of ROU asset | | - | | (27,473) | |
| Purchase of property, plant and equipment | | (2,276) | | (8,259) | |
| Proceeds on disposal of property, plant and equipment | | 194 | | 320 | |
| Interest received | | 266 | | 3,246 | |
| Net cash used in investing activities | | (861,810) | | (757,941) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 1,695,000 | | 1,112,000 | |
| Payment of lease liabilities | | (7,680) | | 29,660 | |
| Net cash generated from financing activities | | 1,687,320 | | 1,141,660 | |
| Net decrease in cash and cash equivalents | | (272,755) | | (377,231) | |
| Cash and cash equivalents at beginning of year | | 782,231 | | 1,159,462 | |
| Effect of foreign exchange rates | | 1,252 | | - | |
| Cash and cash equivalents at end of year | | 510,728 | | 782,231 | |

The notes form part of these financial statements.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Quantessence Financial Limited is a private company limited by shares incorporated in England and Wales. The registered office is 33 Cannon Street, 2nd Floor, London, England, EC4M 5SB. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a degree of judgement or complexity or areas where assumptions or estimates are significant to the financials are noted in the critical judgements accounting policy note.

Functional and presentational currency

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Basis of preparation of financial statements

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

1.2 Going concern

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

The Covid-19 events have demonstrated the resilience of the company and its Business Continuity Management. Whilst the pandemic has initially led to a delay in some of the company's projects, it has since reinforced the company's value proposition, generating additional interest from clients who require technological support but have limited resources to build systems in-house. The company's operations have not been impacted by the pandemic. The company continues to closely monitor the situation on the markets and is taking all necessary measures to deliver a high level of service to its clients.

1.3 Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the company'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.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

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 estimated 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

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

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.

QUANTESSANCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.6 Impairment (continued)

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

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

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

1.7 Cash and cash equivalents

Cash and cash equivalents 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 assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions 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 company 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 statement of financial position 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.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.9 Financial liabilities

The company 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 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 measured 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.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

1.12 Retirement benefits

The company operates a defined contribution pension plan. A defined contribution plan is one where the company 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.

1.13 Leases

At inception, the company 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, plant and equipment. 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 initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

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 company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery 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.

1.14 Foreign exchange

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

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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):

Standards amendments in issue but not yet effective

IAS 1 — Presentation of Financial Statements – effective periods beginning on or after January 1, 2023

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors – effective periods beginning on or after January 1, 2023

IAS 16 — Property, Plant and Equipment – effective periods beginning on or after January 1, 2022

IAS 37 — Provisions, Contingent Liabilities and Contingent Assets – effective periods beginning on or after January 1, 2022.

Standards amendments that became effective 1 Jan 2020

IAS 39 — Financial Instruments: Recognition and Measurement - effective periods beginning on or after January 1, 2020

IFRS 7 — Financial Instruments: Disclosures - effective periods beginning on or after January 1, 2020

IFRS 16 — Leases - effective periods beginning on or after January 1, 2020

There are no new accounting standards which have been applied this year.

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 company 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

| | 2020 | 2019 |
|---|---------|---------|
| | £ | £ |
| Operating loss for the year is stated after charging: | | |
| Exchange losses | 13,365 | 15,228 |
| Fees payable to the company's auditor for the audit of the company's financial statements | 6,875 | 5,000 |
| Depreciation - owned assets | 3,890 | 7,048 |
| (Profit)/loss on disposal of property, plant and equipment | - | 1,971 |
| Amortisation of intangible assets | 367,292 | 238,891 |
| Operating lease payments | 64,487 | 44,214 |

QUANTESSENCE FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

5 Employees

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

| | 2020 Number | 2019 Number |
|--------------------------------------|----------------|----------------|
| Directors | 2 | 3 |
| Product Development - UK | 8 | 7 |
| Product Development - Czech Republic | 3 | 3 |
| | <u>13</u> | <u>13</u> |

Their aggregate remuneration comprised:

| | 2020 £ | 2019 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,171,634 | 955,310 |
| Social security costs | 146,115 | 108,254 |
| Pension costs | 18,885 | 11,885 |
| | <u>1,336,633</u> | <u>1,075,449</u> |

During the year ended 31 December 2020, £327,371 (2019: £229,402) of UK gross wages costs and £343,311 (2019: £278,093) of the Czech branch's gross wages costs have been capitalised as part of the intangible asset IP development project - see intangible assets note 11.

6 Directors' remuneration

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 168,776 | 215,871 |
| Company pension contributions to defined contribution schemes | 5,100 | 5,070 |
| | <u>173,876</u> | <u>220,941</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019 - 2).

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Finance income

| | 2020 | 2019 |
|------------------------------|------------|--------------|
| | £ | £ |
| Interest income | | |
| Bank interest | - | 344 |
| Other interest income | 266 | 2,902 |
| | <u>266</u> | <u>3,246</u> |
| Total interest income | <u>266</u> | <u>3,246</u> |

8 Finance costs

| | 2020 | 2019 |
|-------------------------------|--------------|--------------|
| | £ | £ |
| Interest on lease liabilities | 75 | 95 |
| Other interest payable | 1,147 | 3,104 |
| | <u>1,222</u> | <u>3,199</u> |
| Total interest expense | <u>1,222</u> | <u>3,199</u> |

9 Income tax

| | 2020 | 2019 |
|--|------------------|-----------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | (70,567) | (316) |
| Adjustments in respect of prior periods | (51,463) | (21,026) |
| | <u>(121,791)</u> | <u>(21,026)</u> |
| Total UK current tax | <u>(121,791)</u> | <u>(21,026)</u> |
| Foreign taxes and reliefs | 555 | 316 |
| | <u>(121,236)</u> | <u>(20,710)</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (405) | - |
| | <u>(405)</u> | <u>-</u> |
| Total tax (credit) | <u>(121,641)</u> | <u>(20,710)</u> |

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Income tax

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

| | 2020 £ | 2019 £ |
|---|------------------|-----------------|
| Loss before taxation | (1,660,616) | (1,434,582) |
| Expected tax credit based on a corporation tax rate of 19.00% | (315,517) | (272,571) |
| Effect of expenses not deductible in determining taxable profit | 724 | 1,651 |
| Adjustment in respect of prior years | 51,463 | 21,026 |
| Amortisation on assets not qualifying for tax allowances | 69,785 | 45,389 |
| Depreciation | 739 | 1,339 |
| Capital allowances | (136) | (1,569) |
| Other tax adjustments | 71,706 | 184,025 |
| Deferred tax adjustment | (405) | - |
| Taxation credit for the year | (121,641) | (20,710) |

During the year ended 31 December 2020, the tax rate has remained at 19%. No liability to corporation tax arises from results in the period.

A deferred tax asset, at 19%, of £706,699 (2019: £414,293) has not been recognised on the basis of the uncertainty of future taxable profits.

10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in the income statement:

| | 2020 £ | 2019 £ |
|-------------------------|-----------|-----------|
| In respect of: | | |
| Intangible assets | - | 31,617 |
| Recognised in: | | |
| Administrative expenses | - | 31,617 |

QUANTESSANCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Intangible assets

| | Development costs £ |
|--|------------------------|
| Cost | |
| At 1 January 2019 | 1,592,609 |
| Additions | 725,775 |
| At 31 December 2019 and 1 January 2020 | 2,318,384 |
| Additions - internally generated | 867,029 |
| At 31 December 2020 | 3,185,413 |
| Amortisation and impairment | |
| Charge for the year | 238,891 |
| Impairment loss | 31,617 |
| At 31 December 2019 and 1 January 2020 | 270,508 |
| Charge for the year | 367,292 |
| At 31 December 2020 | 637,800 |
| Carrying amount | |
| At 31 December 2020 | 2,547,613 |
| At 31 December 2019 | 2,047,876 |
| At 31 December 2018 | 1,592,609 |

More information on impairment movements in the year is given in note 10.

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 2020 and the existing IP value of the platform which was capitalised in 2018. In 2019, the group decided to impair a portion of the intangible asset capitalised in 2018 with regards to time spent by a developer on front-end works which no longer had value. There was no impairment in 2020.

12 Property, plant and equipment

| | Leasehold buildings £ | Fixtures and fittings £ | Total £ |
|--|--------------------------|----------------------------|------------|
| Cost | | | |
| At 1 January 2019 | 51,282 | 23,275 | 74,557 |
| Additions | - | 8,259 | 8,259 |
| Disposals | - | (4,010) | (4,010) |
| At 31 December 2019 and 1 January 2020 | 51,282 | 27,524 | 78,806 |
| Additions | - | 2,276 | 2,276 |
| Disposals | - | (968) | (968) |
| At 31 December 2020 | 51,282 | 28,832 | 80,114 |

QUANTESSENCE FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

12 Property, plant and equipment

(Continued)

| | Leasehold buildings £ | Fixtures and fittings £ | Total £ |
|--|--------------------------------------|--|--------------------|
| Accumulated depreciation | | | |
| At 1 January 2019 | 16,484 | 8,210 | 24,694 |
| Charge for the year | 7,326 | 6,674 | 14,000 |
| Eliminated on disposal | - | (1,719) | (1,719) |
| At 31 December 2019 and 1 January 2020 | 23,810 | 13,165 | 36,975 |
| Charge for the year | 7,493 | 3,507 | 11,000 |
| Eliminated on disposal | - | (774) | (774) |
| At 31 December 2020 | 31,303 | 15,898 | 47,201 |
| Carrying amount | | | |
| At 31 December 2020 | 19,979 | 12,934 | 32,913 |
| At 31 December 2019 | 27,472 | 14,359 | 41,831 |
| At 31 December 2018 | - | 15,065 | 15,065 |

13 Trade and other receivables

| | Current 2020 £ | 2019 £ | Non-current 2020 £ | 2019 £ |
|---|-------------------------------|-------------------|-----------------------------------|-------------------|
| Trade receivables | 4,593 | 1,353 | - | - |
| Other receivables | 18,589 | 18,748 | - | - |
| VAT recoverable | - | 11,569 | - | - |
| Amounts owed by fellow group undertakings | 47,049 | - | 8,313 | 48,453 |
| Prepayments | 32,892 | 42,856 | - | - |
| | <u>103,123</u> | <u>74,526</u> | <u>8,313</u> | <u>48,453</u> |

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

Included within amounts owed by fellow group undertakings is an intercompany loan balance with Quantessence Technology Limited of £8,313 (2019: £8,313) which carries an interest rate of 3.2% and is repayable on 31 December 2036 with an early repayment option.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Borrowings

| | Non-current 2020 £ | 2019 £ |
|---|--------------------------|-----------|
| Borrowings held at amortised cost: | | |
| Directors' loans | 36,007 | 38,295 |

The Director provided a loan to the company at an interest rate of 3.2% per annum. The interest 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, the Group shows positive EBITDA and the demanded amount does not exceed accumulated EBITDA. The interest charged on the loan was £1,147 (2019: £3,028).

15 Trade and other payables

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Trade payables | 26,750 | 4,085 |
| Amounts owed to fellow group undertakings | 244,215 | - |
| Accruals | 57,956 | 153,816 |
| Social security and other taxation | 40,803 | 22,594 |
| VAT | - | 5,759 |
| Other payables | 56,787 | 18,517 |
| | <u>426,511</u> | <u>204,771</u> |

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:

| | 2020 £ | 2019 £ |
|-------------------------|---------------|---------------|
| Current liabilities | 7,987 | 7,371 |
| Non-current liabilities | 13,993 | 22,289 |
| | <u>21,980</u> | <u>29,660</u> |

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| Amounts recognised in profit or loss include the following: | | |
| Interest on lease liabilities | 75 | 95 |

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

QUANTESSENCE FINANCIAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

17 Deferred taxation

| | ACAs £ |
|---|-----------|
| Deferred tax liability at 1 January 2019 | 2,862 |
| Deferred tax liability at 1 January 2019 and 1 January 2020 | 2,862 |
| Deferred tax movements in current year | |
| Credit to profit or loss | (405) |
| Deferred tax liability at 31 December 2020 | 2,457 |
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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 £12,690 (2019 - £7,437).

19 Share capital

| | 2020 Number | 2019 Number | 2020 £ | 2019 £ |
|---|------------------------|------------------------|-------------------|---------------------------------------|
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | 8 | 5 | 8 | 5 |
| Reconciliation of movements during the year: | | | | Ordinary Shares Number |
| At 1 January 2020 | | | | 5 |
| Issue of fully paid shares | | | | 3 |
| At 31 December 2020 | | | | <u>8</u> |

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Share premium account

| | 2020 £ | 2019 £ |
|------------------------------|------------------|------------------|
| At the beginning of the year | 4,736,996 | 3,624,998 |
| Issue of new shares | 1,694,997 | 1,111,998 |
| At the end of the year | <u>6,431,993</u> | <u>4,736,996</u> |

21 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2020 £ | 2019 £ |
|--------------------|-----------|---------------|
| Land and buildings | | |
| Within one year | <u>-</u> | <u>68,057</u> |

22 Capital risk management

The company'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 Holding SA.

The company is not subject to any externally imposed capital requirements.

23 Events after the reporting date

The company received a capital injection of £1,700,000 in January 2021 from its parent company, Quantessence Limited.

QUANTESSENCE FINANCIAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Related party transactions

Key management personnel

The key management personnel in the year ended 31 December 2020 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:

At the year end, the company owed £244,215 (2019: £Nil) to Euroclear SA.

The company charged loan interest of £Nil (2019: £716) to Quantessence Limited. At the year end, £33,328 (2019: £29,406) was owed by Quantessence Limited.

The company charged loan interest of £266 (2019: £2,186) to Quantessence Technology Limited and incurred £20,915 (2019: £29,779) in the profit and loss account in respect of the legal ring fencing of the Group's IP. At the year end, £22,039 (2019: £19,047) was owed by Quantessence Technology Limited.

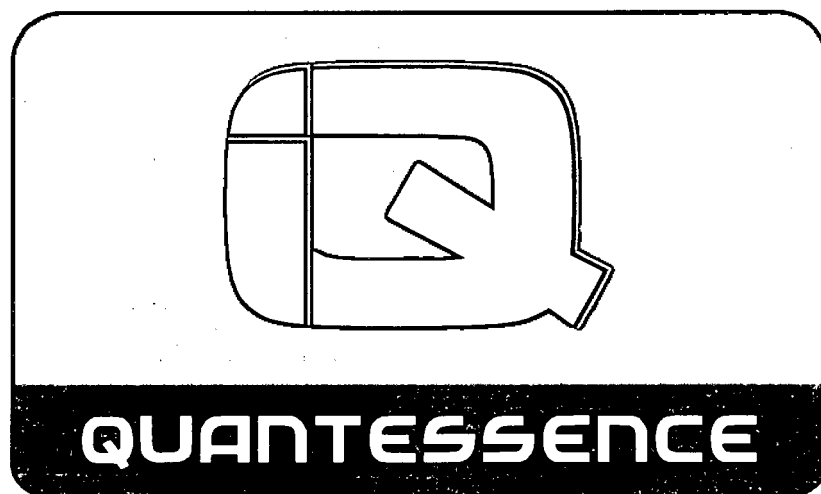
At the year end, £36,007 (2019: £38,295) was due to the directors of the company in respect of their directors' loan account. Interest at the rate of 3.2% per annum is chargeable on the loan and accrues for four years and six months from 9 May 2017. The loan is repayable in part or in full on demand provided the demanded amount is not less than £5,000, the Group shows positive EBITDA and the demanded amount does not exceed accumulated EBITDA.

25 Controlling party

The company's parent company is Quantessence Limited and the ultimate parent company is Euroclear Holding SA, incorporated in Belgium.

26 Cash absorbed by operations

| | 2020 £ | 2019 £ |
|--|--------------------|------------------|
| Loss for the year after tax | (1,538,975) | (1,413,872) |
| Adjustments for: | | |
| Taxation credited | (121,641) | (20,710) |
| Finance costs | 1,222 | 3,199 |
| Investment income | (266) | (3,246) |
| (Gain)/loss on disposal of property, plant and equipment | - | 1,971 |
| Amortisation and impairment of intangible assets | 367,292 | 270,508 |
| Depreciation and impairment of property, plant and equipment | 3,890 | 6,674 |
| Foreign exchange gains on cash equivalents | (1,252) | - |
| Defined contribution pension scheme non-cash movement | 284 | 2,714 |
| Movements in working capital: | | |
| Decrease in trade and other receivables | 11,544 | 135,436 |
| Increase in trade and other payables | 219,452 | 90,606 |
| Cash absorbed by operations | (1,058,450) | (926,720) |



Pillar 3

STEWARDSHIP CODE AND REMUNERATION DISCLOSURE
For period to 31 December 2020

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Introduction

The Capital Requirements Directive ('CRD') establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain.

In the UK, the CRD has been implemented by the Financial Conduct Authority ('FCA') in its regulations through a series of Prudential Sourcebooks with the Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') being relevant for Quantessence Financial Ltd.

The CRD consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets a firm's credit, market and operational risk capital requirement;
- Pillar 2 requires a firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

This Pillar 3 disclosure document has been prepared by Quantessence Financial Ltd ('The Firm') in accordance with the requirements of BIPRU 11 and is verified by management committee and the board. Unless otherwise stated, all figures are as at the 31st December 2020 financial year-end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published as soon as practical with the annual accounts.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have omitted certain data on the grounds of materiality.

Where we have chosen to omit information because it is proprietary or confidential, we have explained the omission and provided our reason.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a BIPRU firm by the FCA for capital purposes.

It is an agency investment management firm and as such has no trading book exposures.

Risk management

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. Day to day operational management of risk is undertaken within an Enterprise Risk Management Framework (ERM). This comprises of a number of policies and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Quantessence Risk and Operations Committee (QROC) meet regularly and use the Framework to identify and manage risk across the business. Mohamed Najah manages this process with Nikolaos Papadopoulos and Michelle Thresh also active members of the committee.

QROC has identified that business & strategic risk, operational risk, legal & compliance risk, and market, liquidity and credit risk are the main areas of risk to which the Firm is exposed. Annually the management committee formally reviews the risks, controls and other risk mitigation arrangements and assess their effectiveness.

A formal update on operational matters is provided to the board on a quarterly basis. Management accounts demonstrate continued adequacy of the Firm's regulatory capital and are reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's mitigating controls.

Risks

Business & Strategic Risk

The Firm's revenue is reliant on fee income from administering products on the Euroclear Quantessence platform. As such, the risk posed to the Firm relates to the performance of the existing products on the platform and the Firm's ability to obtain new mandates.

This risk is mitigated by:

- the products administered are usually long term;
- capital held by the Firm to cover business expenses; and
- the continued support of the Firm by its parent.

Operational Risk

The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks to manage. These relate to systems failure, failure of a third-party provider and processing errors.

These risks are mitigated by:

- the use of Euroclear's infrastructure for critical processing;
- business continuity planning;
- automated validation of data processed;
- strict criteria and monitoring for key outsourced activities; and
- testing, both internal and with platform participants.

The Firm has taken out significant insurance which covers operational risk.

Legal & Compliance Risk

The Firm is exposed to legal and compliance risks and seeks to mitigate these through a combination of external advice from our compliance and legal advisers and an established framework of policies and procedures.

Market, Liquidity and Credit Risk

The Firm is exposed to credit risk in respect of accrued fees and cash held on deposit.

The Firm considers that there is little risk of default by its clients, who are regulated institutions. All bank accounts are held with large international credit institutions.

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Regulatory Capital

As a BIPRU firm, Quantessence Financial Ltd. is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk-based capital required (documented in its ICAAP).

As such the Firm's capital requirements are the higher of:

- €50,000; and
- The sum of the market & credit risk requirements; or
- The fixed overheads requirement ('FOR') which is essentially 25% of the Firm's operating expenses less certain variable costs.

The FOR is calculated, in accordance with FCA rules, based on the Firm's previous years audited expenditure. The Firm has adopted the simplified standardised approach to credit and market risk.

It is the Firm's experience that the ICAAP analysis establishes its regulatory capital requirements.

Remuneration Disclosure

The Firm is authorised and regulated by the Financial Conduct Authority as a BIPRU Firm and, so, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Codes located in the SYSC Sourcebook of the FCA's Handbook.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA has sought to apply proportionality in the first instance by instituting two tests. Firstly, a firm that is significant in terms of its size must disclose quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel. Secondly, that a firm must make disclosure that is appropriate to the size, internal organisation and the nature, scope and complexity of their activities.

The Firm is not 'significant' and so makes this disclosure in accordance with the second test (BIPRU 11.5.20R(2)).

Application of the Requirements

We are required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities. The Firm's full Remuneration Policy is reviewed and updated annually.

The decision-making process used for determining the Firm's remuneration policy can be summarised as follows:

- The Firm's policy has been agreed by the management committee and the board in line with the remuneration principles laid down by the FCA.
- Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee.
- Individuals are rewarded based on their contribution to the overall strategy of the business.

Quantitative Information on remuneration is not disclosed due to the small size of the Firm and the very limited number of Code Staff.