

Report of the Directors and
Financial Statements for the Year Ended 31 December 2019
for
TradeIX Ltd



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for the Year Ended 31 December 2019

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TradelX Ltd

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

D Cotti
R A Tynan

SECRETARY:

Natsec Limited

REGISTERED OFFICE:

18 St Swithin's Lane
4th Floor
London
EC4N 8AD

REGISTERED NUMBER:

10430661 (England and Wales)

AUDITORS:

Moore
Chartered Accountants and Statutory Auditor
30 Gay Street
Bath
BA1 2PA

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing management, operations and engineering support services to TradelX Limited (Ireland).

TradelX powers the world's first open and distributed network for trade and working capital finance. Underpinned by distributed ledger technology, our world class, secure, connected, API-driven distributed platform facilitates the movement of data, assets and credit around the world to support global trade. We provide the technology and services that power global trade and working capital finance by offering an enterprise software platform that enables banks, corporates and third party service providers to streamline and automate their global trade and working capital finance activities. Our distributed platform powered by distributed ledger technology creates the Marco Polo Network, a multi-sided platform and multi-sided network that enables broad access and simplification of trade processes across the multi-billion dollar trade finance sector.

REVIEW OF BUSINESS

The directors are of the opinion that the results are in line with expectations given the early stage of the company and the group.

PRINCIPLE RISKS AND UNCERTAINTIES

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections, deaths and disruption globally. The various measures taken by different governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus. Initially this was via social distancing but as the situation escalated, our company moved to a full scale working from home environment. We will continue to follow the various national institutes' policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Our previous business continuity planning and readiness prior to COVID-19 has ensured we can maintain the high quality of our technology deployments and engagements. Our workforce is well equipped to deal with a mass work from home situation.

Governments in the countries in which we operate have announced assistance measures which will help to mitigate the impact of the COVID-19 outbreak on our results and liquidity for 2020. We have taken advantage of multiple reliefs and are currently investigating all options in each jurisdiction. We note that certain details of available arrangements and the period through which they remain available are still unknown as the situation continues to evolve. Even with our COVID-19 response and expected revenue streams in H2 2020 the duration of the COVID-19 crisis and its continued negative impact on economic activity remains unknown. The company may experience further negative results and liquidity restraints in 2020. The exact impact on our activities in the remainder of 2020 and beyond is unknown and therefore cannot be predicted. We also refer to the Going Concern note in this regard.

FUTURE DEVELOPMENTS

2019 saw TradelX continue the journey towards an early-stage high-growth enterprise. 2019 saw a multitude of successful bank and corporate pilots for the group in addition to the broad Marco Polo global CorDapp trial - the largest pilot of a distributed trade network in history. This trial in particular included 24 countries, 70 organisations and 347 individuals, with overwhelming positive feedback. We continue to see significant opportunities to grow our business and an unprecedented level of demand for bespoke offerings.

In 2020 TradelX is focused on continuing to further seed the network. With the first production releases of Payment Commitment and Receivables Discounting having been delivered we are starting to see a marked uptick of banks and corporates engaging with Marco Polo. Notably the Marco Polo Payment Commitment (PC) module is tracking to establish itself as a new benchmark product and standard in Trade Finance. PC essentially delivers a simplified risk assurance product that can be used to provide a supplier an irrevocable payment undertaking from the buyers bank and, with the backdrop of 2020's volatility, it delivers significant commercial relevance. We expect to see more banks joining which will in turn bring more corporates onto the network. Additionally TradelX has established a number of industry verticals, allowing for a more targeted direct dialogue with large corporates. The thesis is simple - by demonstrating how the platform and its modules can best serve and solve the complex trade flow issues that corporates face today, we become part of the solution that they can introduce to their own network or trade counterparts and banks.

Despite the negative impact of COVID-19 on the business community at large, we expect the Marco Polo Network deployment will be further accelerated with multiple partners and MSG integrating with the ERP's. By leading the market as a network operator we are extremely well poised to take advantage of current conditions, especially in regards to payables finance and where specifically we are fast-tracking to the market a streamlined payment commitment as well as SME supply chain finance modules. We expect the demand for payables finance solutions in particular to grow significantly in the wake of the COVID-19 outbreak and we will be ready to help the business community recover.

TradelX maintains strong market momentum and an extremely strong pipeline. The company will continue to support Tradeix Limited (Ireland) through 2020 and beyond.

EVENTS SINCE THE END OF THE YEAR

Implications of COVID-19 on our business

We are experiencing reduced group turnover in 2020 compared to plan. We are actively mitigating the negative impact through government schemes available to assist the company. The negative impact on our customers as well as our shareholders is evident as global markets are impacted and this is putting pressure on the liquidity of the company. The duration and severity of this pressure remains uncertain.

Operationally, the company is extremely well placed to deal with the mass working from home scenario as a result of earlier business continuity planning and testing. There is no evidence of a productivity decline among our employee base and as a whole the Group remains as productive as ever before.

Financially, management continues to monitor the evolving situation and is working continuously with both customers and shareholders. Confidence remains that despite this level of uncertainty in the current climate,

Report of the Directors
for the Year Ended 31 December 2019

the operational expenses of the Group will continue to be financed into 2021 and beyond. The nature of COVID-19 dictates that we still cannot fully know how the next 12 months will unfold. Management remains confident in our current processes, forecasting techniques and robust planning as well as the ability to reduce costs quickly should future revenue projections be delayed.

FUNDING

The group is in the process of securing further funding with a view to ensuring it has adequate financial resources to fund the ongoing development and marketing of its product during the remainder of 2020 and 2021.

GOING CONCERN

Detailed considerations have been disclosed in note 2 of the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

D Cotti
R A Tynan

Other changes in directors holding office are as follows:

A Berti - resigned 2 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

TradeIX Ltd

Report of the Directors
for the Year Ended 31 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Moore, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
R A Tynan - Director

Date: 7th JAN, 2021
.....

Report of the Independent Auditors to the Members of
TradelX Ltd

Opinion

We have audited the financial statements of TradelX Ltd (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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.

Material uncertainty related to going concern

We draw attention to Note 2 of these financial statements and the basis of accounting within accounting policies relating to going concern. The company is funded by its parent undertaking in Ireland and relies on the continued support of the parent to enable it to operate in terms of its income and funding.

There is significant doubt over the ability of the parent to be able to provide support for the next 12 months and for the company to meet its liabilities as they fall due. These conditions therefore indicate that a material uncertainty exists over the ability of the company to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has 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 Report of the Directors.

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; 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' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages four and five, 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 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.

Auditors' responsibilities for the audit of the financial statements

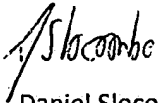
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
TradeIX Ltd

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 a Report of the Auditors 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.



Daniel Slocombe (Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants and Statutory Auditor
30 Gay Street
Bath
BA1 2PA

Date: 14th January 2021

TradeIX Ltd

Income Statement

for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER		8,809,131	3,838,058
Administrative expenses		<u>8,326,795</u>	<u>4,050,619</u>
OPERATING PROFIT/(LOSS)	4	482,336	(212,561)
Interest receivable and similar income		<u>2</u>	<u>12</u>
		482,338	(212,549)
Interest payable and similar expenses		<u>2,276</u>	<u>768</u>
PROFIT/(LOSS) BEFORE TAXATION		480,062	(213,317)
Tax on profit/(loss)		<u>(354,770)</u>	<u>(396,094)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>834,832</u></u>	<u><u>182,777</u></u>

The notes form part of these financial statements

TradeIX Ltd (Registered number: 10430661)

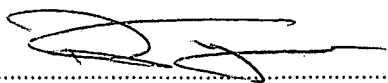
Balance Sheet

31 December 2019

	Notes	31.12.19 £	31.12.18 £
FIXED ASSETS			
Tangible assets	5	53,494	40,205
CURRENT ASSETS			
Debtors	6	3,364,183	1,988,162
Cash at bank		<u>862,806</u>	<u>424,874</u>
		4,226,989	2,413,036
CREDITORS			
Amounts falling due within one year	7	<u>1,511,382</u>	<u>518,972</u>
NET CURRENT ASSETS		<u>2,715,607</u>	<u>1,894,064</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,769,101</u>	<u>1,934,269</u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Other reserves		4,773,600	4,773,600
Retained earnings		<u>(2,004,500)</u>	<u>(2,839,332)</u>
SHAREHOLDERS' FUNDS		<u>2,769,101</u>	<u>1,934,269</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 07-01-20 and were signed on its behalf by:



R A Tynan - Director

The notes form part of these financial statements

1. STATUTORY INFORMATION

TradelX Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

In the year to 31 December 2019 the company made a profit after tax of £835k due to the cost plus arrangement with its parent undertaking (TradelX Limited in Ireland) in addition to some related R&D tax credits. At the date of this report it held net assets of £2.7m and net current assets of £2.715m.

Subsequent to the balance sheet date, the company has been detrimentally impacted by the global pandemic and the many repercussions arising from this. As a result of the measures taken by the company and its parent, the directors have during 2020 been able to recover costs and continue to progress its projects. Since 31 December 2019 the company has closed on securing additional working capital funding through the issuance of convertible notes of circa \$23.5 million to ensure it has adequate financial resources and runway to an additional funding round which is targeted in H1 2021, and which is seeking to secure a minimum of \$18.5 million after costs.

Whilst the parent undertaking has confirmed that they will continue to support the company over the next 12 months under the cost plus agreement in place, there remains uncertainty over the ability of the parent TradelX Limited in Ireland to itself obtain sufficient funding to enable it to continue to meet its liabilities for the next 12 months. There therefore exists a material uncertainty over its ability to continue to support the subsidiary TradelX Ltd. However, the directors believe that the Group will be successful in both successfully completing the additional investment round and growing revenue in line with forecasts and accordingly, have prepared the financial statements on a going concern basis.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet 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.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Functional currency

The functional currency is the Pounds Sterling (GBP).

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 29 (2018 - 23).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

4. OPERATING PROFIT/(LOSS)

The operating profit (2018 - operating loss) is stated after charging:

	31.12.19	31.12.18
	£	£
Depreciation - owned assets	<u>21,909</u>	<u>17,875</u>

5. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2019	11,442	53,041	64,483
Additions	<u>16,280</u>	<u>18,918</u>	<u>35,198</u>
At 31 December 2019	<u>27,722</u>	<u>71,959</u>	<u>99,681</u>
DEPRECIATION			
At 1 January 2019	4,315	19,963	24,278
Charge for year	<u>8,150</u>	<u>13,759</u>	<u>21,909</u>
At 31 December 2019	<u>12,465</u>	<u>33,722</u>	<u>46,187</u>
NET BOOK VALUE			
At 31 December 2019	<u>15,257</u>	<u>38,237</u>	<u>53,494</u>
At 31 December 2018	<u>7,127</u>	<u>33,078</u>	<u>40,205</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Trade debtors	142,907	-
Amounts owed by group undertakings	2,616,520	1,560,259
Other debtors	<u>604,756</u>	<u>427,903</u>
	<u>3,364,183</u>	<u>1,988,162</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£	£
Trade creditors	1,001,506	82,977
Taxation and social security	184,606	110,983
Other creditors	<u>325,270</u>	<u>325,012</u>
	<u>1,511,382</u>	<u>518,972</u>

8. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.19	31.12.18
	£	£
Within one year	435,671	191,337
Between one and five years	1,656,000	440,746
In more than five years	<u>2,070,000</u>	<u>-</u>
	<u>4,161,671</u>	<u>632,083</u>

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.19	31.12.18
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

10. CONTINGENT ASSETS

At 31 December 2019 the company had unused tax losses of £2,627,858 (2018: £2,627,860) for which no deferred tax asset has been recognised. At current tax rates there is a potential deferred tax asset of £489,129 (2018: £499,293) but there is insufficient evidence to conclude that the realisation of these losses is 'probable'.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

11. POST BALANCE SHEET EVENTS

On 31 January 2020, the World Health Organisation announced a global health emergency with regard to Coronavirus. The pandemic is having a major economic impact around the world and in the UK where the vast majority of the company's sales are conducted.

As the scale of the outbreak occurred after the year end the directors consider this to be a non-adjusting post balance sheet event.

At the time of writing the government have introduced a number of measures to support businesses and lenders are also offering support.

The board of directors have confirmed that the parent undertaking will continue to support the business for the 12 months following the approval of these financial statements.

The directors are considering alternatives to reduce the cost base of the company and where necessary defer rental and other payments should the current situation continue for a longer period of time.

Further details regarding the impact of this have been discussed in the Report of the Directors and in note 2 of these financial statements.

12. ULTIMATE CONTROLLING PARTY

The company is a wholly-owned subsidiary of TradelX Limited, incorporated in the Republic of Ireland.

13. PRIOR YEAR RECLASSIFICATION

In 2018 the R&D tax reclaim of £396,094 was disclosed within other operating income within the Income Statement. This has now been reclassified to tax on Profit/(loss). There is no impact on profit, reserves or other balance sheet items for 2018 and no adjustment is required to carry forward into 2019.