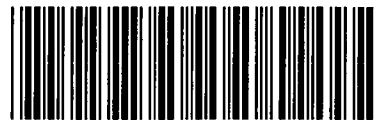


ARCHAX LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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ARCHAX LTD

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | David Buckley Andrew Flatt David Lester Matthew Pollard Graham Rodford |
| Registered number | 11302455 |
| Registered office | 16 Great Queen Street London WC2B 5AH |
| Independent auditor | Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street London WC2B 5AH |

ARCHAX LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

Archax Ltd (also trading as Archax MTF) is authorised and regulated by the Financial Conduct Authority ("FCA") with permissions to operate as a Multilateral Trading facility ("MTF"), Broker, Custodian and was the first firm on the FCA's Cryptoasset register to operate under the 5AMLD Cryptoasset designation in the UK. In addition, during the year a variation of permissions was agreed for the addition of Units on 22 September 2021.

As an MTF, Brokerage, Custodian and Cryptoasset firm, Archax is dedicated to facilitating the successful admittance of digital securities to trade on its institutional exchange, as well as primary issuance, fund raising and custody of digital securities.

Business review

The Directors are very pleased with the significant progress made during the year in developing the system and in discussions with potential new admittances, custody clients and issuers looking to raise funds.

During the financial year, Archax Ltd issued further share capital to its Parent Company; Archax Holdings Ltd of £3.2m (2020: £1.0m) to ensure the firm is adequately capitalised and funded.

Since the balance sheet date, Archax Holdings Ltd has closed a Convertible Loan Note which results in an additional \$3.5m of funds entering the group. In addition, Archax Holdings is in the process of a Series A fund-raise for which it has secured interest for an additional \$28.4m of investment. This comprises \$8.4m of funding from existing shareholders who exercised their pre-emption rights, \$10m committed by a leading global asset management firm and a further \$10m from a global blockchain investment group.

Financial key performance indicators

The main KPIs used by the Directors to assess the performance of the Company will develop over time in line with the anticipated growth of the Company. Such KPIs will include the number of issuers admitted to the exchange, the total market capitalisation of all admittances, turnover, net equity and total assets under custody.

| | 2021 £ | 2020 £ |
|---------------------------|-----------|-----------|
| Financial KPIs | | |
| Turnover | 1,124,997 | - |
| Net equity | 2,638,825 | 1,378,365 |
| Liquid Resources | 2,741,159 | 1,461,713 |
| Non-financial KPIs | | |
| Headcount | 24 | 10 |

Principal risks and uncertainties

Market conditions during the financial year continued to be challenging, with uncertainty derived from the coronavirus pandemic and a tough landscape within capital markets, where other exchanges continued to report lower volumes on new admittances and fund-raising activity. However, during this time, Archax has continued to build and develop its platform and positively engage with customers and prospective issuers. After the current round of testing is complete, the exchange will go live during 2022.

ARCHAX LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Directors' statement of compliance with duty to promote the success of the Company

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company, for the benefit of its shareholders and in doing so had regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
 - To the extent the Company has employees, 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 reputations for high standards of business conduct;
- And to act fairly between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our investors and suppliers.

This report was approved by the board on 27 April 2022 and signed on its behalf.



Graham Rodford
Director

ARCHAX LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

David Buckley
Andrew Flatt
David Lester
Matthew Pollard
Graham Rodford

Results and dividends

The loss for the year, after taxation, amounted to £1,956,279 (2020 - loss £739,335).

Pillar 3

The Company has documented the disclosures required by the FCA under Article 431 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council. These are available from the Company's registered office.

Disclosure of return on assets

Under IFPRU 9.1.3 the Company is required to disclose its return on assets. This is calculated as net profit divided by the total balance sheet. The return on net assets for the year ended 31 December 2021 is -0.74% (2020: - 53.6%)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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

ARCHAX LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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

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

Auditor

The auditor, Blick Rothenberg Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 April 2022 and signed on its behalf.



Graham Rodford
Director

ARCHAX LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHAX LTD

Opinion

We have audited the financial statements of Archax Ltd for the year ended 31 December 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 13 - 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHAX LTD (CONTINUED)

Opinion 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCHAX LTD (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, and noncompliance with laws and regulations, our procedures included the following: enquiring of management concerning the Company's policies with regards identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; enquiring of management concerning the Company's policies detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; enquiring of management concerning the Company's policies in relation to the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud; and obtaining an understanding of the legal and regulatory framework that the Company operates in and focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act and applicable tax legislation and the Financial Services and Markets Act.

A particular focus area included the risk of fraud through management override of controls. Our procedures to respond to risks identified included the following: performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; reviewing the bank statements of the Company for evidence of any large or unusual activity which may be indicative of fraud; enquiring of management in relation to any potential litigation and claims; and testing the appropriateness of journal entries and other adjustments.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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 auditor's report.

Peter Scott (Senior Statutory Auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

16 Great Queen Street

London

WC2B 5AH

27 April 2022

ARCHAX LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 £ | 2020 £ |
|---------------------------------------|------|------------------------|----------------------|
| Revenue | 6 | 1,124,997 | - |
| Administrative expenses | | (3,155,011) | (801,880) |
| Loss from operations | | (2,030,014) | (801,880) |
| Finance income | 9 | - | 13,422 |
| Loss before tax | | (2,030,014) | (788,458) |
| Tax credit | 10 | 73,735 | 49,123 |
| Loss for the year | | (1,956,279) | (739,335) |
| Total comprehensive income | | (1,956,279) | (739,335) |

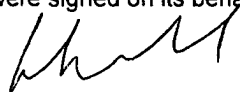
The notes on pages 13 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

| | Note | 2021 £ | 2020 £ |
|------------------------------------|------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 47,264 | 24,816 |
| Intangible assets | 12 | 39,401 | 44,290 |
| | | <u>86,665</u> | <u>69,106</u> |
| Current assets | | | |
| Trade and other receivables | 13 | 1,284,368 | 211,642 |
| Cash and cash equivalents | | 1,457,544 | 1,250,071 |
| | | <u>2,741,912</u> | <u>1,461,713</u> |
| Total assets | | <u>2,828,577</u> | <u>1,530,819</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other liabilities | 14 | 189,752 | 152,454 |
| | | <u>189,752</u> | <u>152,454</u> |
| Total liabilities | | <u>189,752</u> | <u>152,454</u> |
| Net assets | | <u>2,638,825</u> | <u>1,378,365</u> |
| Issued capital and reserves | | | |
| Share capital | 15 | 4,232,600 | 1,015,861 |
| Share premium reserve | | 2,074,524 | 2,074,524 |
| Retained earnings | | (3,668,299) | (1,712,020) |
| TOTAL EQUITY | | <u>2,638,825</u> | <u>1,378,365</u> |

The financial statements on pages 2 to 25 were approved and authorised for issue by the board of directors on 27 April 2022 and were signed on its behalf by:

Graham Rodford
Director



The notes on pages 13 to 25 form part of these financial statements.

ARCHAX LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Share capital £ | Share premium £ | Retained earnings £ | Total equity £ |
|---|-----------------------|-----------------------|---------------------------|-------------------|
| At 1 January 2021 | 1,015,861 | 2,074,524 | (1,712,020) | 1,378,365 |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (1,956,279) | (1,956,279) |
| | - | - | (1,956,279) | (1,956,279) |
| Total comprehensive income for the year | | | | |
| Contributions by and distributions to owners | | | | |
| Issue of share capital | 3,216,739 | - | - | 3,216,739 |
| Total contributions by and distributions to owners | 3,216,739 | - | - | 3,216,739 |
| At 31 December 2021 | 4,232,600 | 2,074,524 | (3,668,299) | 2,638,825 |

The notes on pages 13 to 25 form part of these financial statements.

| | Share capital £ | Share premium £ | Retained earnings £ | Total equity £ |
|---|-----------------------|-----------------------|---------------------------|-------------------|
| At 1 January 2020 | 300 | - | (972,685) | (972,385) |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (739,335) | (739,335) |
| | - | - | (739,335) | (739,335) |
| Total comprehensive income for the year | | | | |
| Contributions by and distributions to owners | | | | |
| Issue of share capital | 1,015,561 | 2,074,524 | - | 3,090,085 |
| Total contributions by and distributions to owners | 1,015,561 | 2,074,524 | - | 3,090,085 |
| At 31 December 2020 | 1,015,861 | 2,074,524 | (1,712,020) | 1,378,365 |

The notes on pages 13 to 25 form part of these financial statements.

ARCHAX LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | 2021 £ | 2020 £ |
|---|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Loss for the year | (1,956,279) | (739,335) |
| Adjustments for | | |
| Depreciation of property, plant and equipment | 15,218 | 2,312 |
| Amortisation of intangible fixed assets | 17,639 | 4,050 |
| Finance income | - | (13,422) |
| Income tax expense | (73,735) | (49,123) |
| | <u>(1,997,157)</u> | <u>(795,518)</u> |
| Movements in working capital: | | |
| Increase in trade and other receivables | (17,402) | (162,518) |
| Increase in amounts owed by group companies | (1,103,694) | - |
| Increase in trade and other payables | 28,146 | 62,581 |
| | <u>(3,090,107)</u> | <u>(895,455)</u> |
| Cash generated from operations | | |
| Corporation tax received | 122,858 | - |
| | <u>(2,967,249)</u> | <u>(895,455)</u> |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (37,666) | (24,147) |
| Purchase of intangibles | (12,750) | - |
| | <u>(50,416)</u> | <u>(24,147)</u> |
| Cash flows from financing activities | | |
| Issue of ordinary shares | 3,216,739 | 1,503,985 |
| Issue of convertible debt | - | 605,010 |
| | <u>3,216,739</u> | <u>2,108,995</u> |
| Net cash increase in cash and cash equivalents | <u>199,074</u> | <u>1,189,393</u> |
| Cash and cash equivalents at the beginning of year | 1,250,071 | 60,408 |
| Cash and cash equivalents at the end of the year | <u><u>1,449,145</u></u> | <u><u>1,249,801</u></u> |

The notes on pages 13 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies

R

1.1 Going concern

The Company reports a loss for the financial year. It has net assets of £2,638,825 and net current assets of £2,552,160, and the directors have prepared forecasts for the upcoming 12 months demonstrating that the company can continue to meet its liabilities as they fall due. Therefore the directors consider it appropriate to adopt the going concern basis in these financial statements. This assessment takes into account of the ongoing impact of the coronavirus pandemic on capital markets, the Company's liquidity position and financial forecasts including mitigants within the control of the Directors.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2021, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company is still at a pre-revenue stage, but has secured letters of intent and has third-party investment committee approval for additional investment into the Company's parent of \$15-20m, which is sufficient to cover the Group's operating expenses for several years, if required. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken an updated assessment of the viability of the business model that the Company has established.

1.2 Revenue

Revenue for the year comprises amounts recharged to the Company's parent, Archax Holdings Ltd.

1.3 Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

1.4 Taxation

Income 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 'profit before tax' as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

1.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| | |
|--------------------|----------------------|
| Office equipment | 33% Reducing balance |
| Computer equipment | 33% Reducing balance |

1.6 Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Development expenditure - 3 years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

1.6 Intangible assets (continued)

(ii) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1.7 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.8 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Reporting entity

Archax Ltd (the 'Company') is a limited company incorporated in England. The Company's registered office is at 16 Great Queen Street, London, WC2B 5AH. The Company's principal activity is the operation of Multi Lateral Trading Facility, Brokerage and Custodian dedicated to the admittance and secondary market trading of securities, focusing on SME Growth Market eligible issuances.

3. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the UK (collectively IFRSs). They were authorised for issue by the Company's board of directors on 27 April 2022.

The Company prepared the financial statements for the year ended 31 December 2020 in accordance with Financial Reporting Standard 102, the Financial Reporting standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. There were no changes to the Company's financial performance or position on first-time adoption of IFRS.

Details of the Company's accounting policies, including changes during the year, are included in note 1.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 5.

3.1 Basis of measurement

The financial statements have been prepared on the historical cost basis.

3.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2021

IFRS 17 (effective 01/01/2023) is not expected to have a material impact on the financial statements but it is currently too early to quantify the effect.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods may have an impact on the presentation in the financial statements of the Company.

4. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Accounting estimates and judgments

5.1 Judgment

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives of 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Interest income

Interest income is recognised in profit or loss using the effective interest method.

Foreign exchange

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Debtors and creditors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effect interest method.

Pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. Accounting estimates and judgments (continued)**5.1 Judgment (continued)**

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of the future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

6. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

| | 2021 £ | 2020 £ |
|-------------------------------------|------------------|-----------|
| Listing and custody fees | 16,618 | - |
| Recharge of costs to parent company | 1,108,379 | - |
| | <u>1,124,997</u> | <u>-</u> |

7. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

| | 2021 £ | 2020 £ |
|--|---------------|---------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements | 10,000 | 10,000 |
| Fees payable to the Company's auditor and its associates in respect of: | | |
| All other services | <u>30,245</u> | <u>12,250</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Employee benefit expenses

| | 2021 £ | 2020 £ |
|--|------------------|----------------|
| Employee benefit expenses (including directors) comprise: | | |
| Wages and salaries | 1,812,414 | 409,154 |
| Directors national insurance | 212,226 | 86,056 |
| Defined contribution pension cost | 28,013 | 5,217 |
| | <u>2,052,653</u> | <u>500,427</u> |

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company listed on page 1, and the Financial Controller of the Company.

| | 2021 £ | 2020 £ |
|--------|----------------|----------------|
| Salary | 404,163 | 205,958 |
| | <u>404,163</u> | <u>205,958</u> |

The monthly average number of persons, including the directors, employed by the Company during the year was as follows:

| | 2021 No. | 2020 No. |
|------------------|-------------|-------------|
| Sales Staff | 3 | 2 |
| Technical Staff | 9 | 4 |
| Compliance Staff | 4 | 1 |
| Finance Staff | 1 | - |
| HR Staff | 1 | - |
| Operations staff | 3 | - |
| Founders | 3 | 3 |
| | <u>24</u> | <u>10</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Finance income and expense

Recognised in profit or loss

| | 2021 £ | 2020 £ |
|--|------------------|---------------|
| Finance income | | |
| Interest on: | | |
| - Bank deposits | - | 13,422 |
| Total interest income arising from financial assets measured at amortised cost or FVOCI | <u>-</u> | <u>13,422</u> |
| Total finance income | <u>-</u> | <u>13,422</u> |
| Finance expense | | |
| Net finance (expense)/income recognised in profit or loss | <u>-</u> | <u>13,422</u> |

ARCHAX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Tax expense**10.1 Income tax recognised in profit or loss**

| | 2021 £ | 2020 £ |
|--|-----------------|-----------------|
| Current tax | | |
| Adjustments in respect of prior years | (73,735) | (49,123) |
| Total current tax | <u>(73,735)</u> | <u>(49,123)</u> |
| | <u>(73,735)</u> | <u>(49,123)</u> |
| Total tax expense | | |
| Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures | (73,735) | (49,123) |
| | <u>(73,735)</u> | <u>(49,123)</u> |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

| | 2021 £ | 2020 £ |
|--|--------------------|------------------|
| Loss for the year | (1,956,279) | (739,335) |
| Income tax credit/expense (including income tax on associate, joint venture and discontinued operations) | (73,735) | (49,123) |
| Loss before income taxes | <u>(2,030,014)</u> | <u>(788,458)</u> |
| Tax using the Company's domestic tax rate of 19% (2020:19%) | (385,703) | (149,807) |
| Expenses not deductible for tax purposes | 9,392 | 25,380 |
| Other short-term timing differences | (3,076) | (4,052) |
| Research and development tax credit in respect of prior years | (73,735) | (49,123) |
| Unrelieved tax losses carried forward | 379,387 | 128,479 |
| Total tax expense | <u>(73,735)</u> | <u>(49,123)</u> |

Changes in tax rates and factors affecting the future tax charges

At the balance sheet date the company has unrelieved tax losses of £3,156,439 (2020: 1,352,197) available to offset against future profits of the company or its parent. A deferred tax asset has not been recognised in respect of these losses due to uncertainty around the timing of these future profits.

ARCHAX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Tax expense (continued)**10.2 Current tax assets and liabilities**

| | 2021 £ | 2020 £ |
|---------------------------|-----------|---------------|
| Current tax assets | | |
| Corporation tax repayable | - | 49,123 |
| | <u>-</u> | <u>49,123</u> |

11. Property, plant and equipment

| | |
|--|-------------------------------------|
| | Computer equipment £ |
| Cost or valuation | |
| At 1 January 2020 | 4,558 |
| Additions | 24,147 |
| At 31 December 2020 | <u>28,705</u> |
| Additions | 37,666 |
| At 31 December 2021 | <u><u>66,371</u></u> |
| | Computer equipment £ |
| Accumulated depreciation and impairment | |
| At 1 January 2020 | 1,577 |
| Charge owned for the year | 2,312 |
| At 31 December 2020 | <u>3,889</u> |
| Charge owned for the year | 15,218 |
| At 31 December 2021 | <u><u>19,107</u></u> |
| Net book value | |
| At 1 January 2020 | 2,981 |
| At 31 December 2020 | 24,816 |
| At 31 December 2021 | <u><u>47,264</u></u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Intangible assets

| | Development expenditure £ |
|--|---------------------------------|
| Cost | |
| At 1 January 2020 | 48,340 |
| At 31 December 2020 | <u>48,340</u> |
| Additions - external | 12,750 |
| At 31 December 2021 | <u><u>61,090</u></u> |
| | |
| | Development expenditure £ |
| Accumulated amortisation and impairment | |
| At 1 January 2020 | 4,050 |
| At 31 December 2020 | <u>4,050</u> |
| Charge for the year - owned | 17,639 |
| At 31 December 2021 | <u><u>21,689</u></u> |
| Net book value | |
| At 1 January 2020 | 44,290 |
| At 31 December 2020 | 44,290 |
| At 31 December 2021 | <u><u>39,401</u></u> |

13. Trade and other receivables

| | 2021 £ | 2020 £ |
|--|-------------------------|-----------------------|
| Receivables from related parties | 1,241,620 | 137,926 |
| Prepayments and accrued income | 15,739 | - |
| Other receivables | 27,009 | 73,716 |
| Total trade and other receivables | <u><u>1,284,368</u></u> | <u><u>211,642</u></u> |

ARCHAX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Trade and other payables

| | 2021 £ | 2020 £ |
|--|----------------|----------------|
| Trade payables | - | 81,743 |
| Other payables | 7,281 | 1,021 |
| Accruals | 91,149 | 25,938 |
| Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost | 98,430 | 108,702 |
| Other payables - tax and social security payments | 91,322 | 43,752 |
| Total trade and other payables | 189,752 | 152,454 |

15. Share capital**Authorised**

| | 2021 Number | 2021 £ | 2020 Number | 2020 £ |
|---------------------------------|--------------------|------------------|--------------------|------------------|
| Shares treated as equity | | | | |
| A Ordinary shares of £0.01 each | 423,259,983 | 4,232,600 | 101,586,098 | 1,015,861 |
| | <u>423,259,983</u> | <u>4,232,600</u> | <u>101,586,098</u> | <u>1,015,861</u> |

Issued and fully paid

| | 2021 Number | 2021 £ | 2020 Number | 2020 £ |
|--|--------------------|------------------|--------------------|------------------|
| A Ordinary shares of £0.01 each | | | | |
| At 1 January | 101,586,098 | 1,015,861 | 30,000 | 300 |
| Shares issued | 321,673,885 | 3,216,739 | 101,556,098 | 1,015,561 |
| At 31 December | <u>423,259,983</u> | <u>4,232,600</u> | <u>101,586,098</u> | <u>1,015,861</u> |

During the year 321,673,885 A Ordinary shares were issued to the parent Company for cash consideration of £0.01 per share.

16. Related party transactions

During the year the Company recharged costs of £1,108,379 (2020: £222,259) to its parent company, Archax Holdings Ltd. At the year-end, £1,241,620 (2020: £137,926) is due from Archax Holdings Ltd.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Controlling party

The immediate and ultimate parent undertaking is Archax Holdings Ltd, a company incorporated in England & Wales (company number 11440680). Archax Holdings Ltd produces consolidated accounts, copies of which are publicly available.

18. Disclosures required by The Capital Requirements (Country-by-Country Reporting) Regulations 2013

Under the Capital Requirements (Country-by-Country Reporting) Regulations 2013 the Company is required to disclose the following information:

- (a) the name, nature of activities and geographical location of the institution and any subsidiaries and branches;
- (b) turnover;
- (c) the average number of employees on a full time equivalent basis;
- (d) profit or loss before tax;
- (e) corporation tax paid; and
- (f) public subsidies received.

The name of the institution is Archax Ltd ('Archax'). Archax arranges investments in private companies and provides monitoring and reporting services and is located in the UK. Archax has no subsidiaries or branches.

The turnover for the year ending 31 December 2021 was £1,124,997.

The average number of employees on a full time equivalent basis for the year ending 31 December 2021 was 24.

The loss before tax for the year ending 31 December 2021 was £1,956,279

The corporation tax received during the year ending 31 December 2021 (in respect of earlier periods) was £122,858.

The public subsidies received for the year ending 31 December 2021 was £nil.