

## London House Exchange Limited

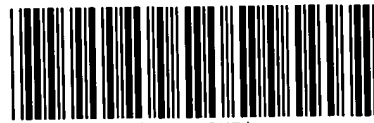
Report and Financial Statements

Year Ended

31 December 2019

Company Number 08820870

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# London House Exchange Limited

## Report and financial statements for the year ended 31 December 2019

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### Directors

D M Gandesha  
J A J Oliver  
E J Wray  
W B Bath

### Registered office

55 Baker Street, London, W1U 7EU

### Company number

08820870

### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

# London House Exchange Limited

## Strategic report for the year ended 31 December 2019

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

### Summary

In accordance with Section 414A(1) of the Companies Acts 2006, the directors have prepared a Strategic Report which includes a review of the business of London Exchange House Limited which operates under the trading name Property Partner (the "Company" or "Property Partner").

### Business review

The Company is a property crowdfunding platform and trading exchange. The Company trades under the name of Property Partner, and brings accessibility, flexibility and simplicity to an industry that has traditionally had high barriers to entry. The Company allows its investor base to invest in property assets, earn rental income and use the trading exchange to trade their investments.

Property Partner is the largest-by-far company of its type in the UK, with approximately £140m in property investments under management.

The Company was launched on 19 January 2015. The business is now in its sixth year of trading.

The Company generates revenues primarily from (i) recurring monthly AUM fees, (ii) recurring monthly account fees, (iii) fees charged to vendors that sell properties on the platform, (iv) one-off transaction fees, and (v) monthly property management fees. Property Partner provides transparent pricing which is clearly presented on its website.

On 15 July 2019, the Company announced the introduction of an assets under management fee ("AUM Fee") of 1.2% per annum chargeable to the SPVs managed by the Company. This recurring income stream makes the business significantly more resilient during periods of slower growth.

The financial statements have been prepared on a going concern basis.

### Principal risks and uncertainties

The principal risks to the Company include:

- **Regulatory risk:** the Company is a regulated entity that operates in a nascent industry. Any change in regulation could have an adverse impact on the Company. In addition, it is essential that Property Partner abides by the rules and requirements of the FCA, including the maintenance of sufficient regulatory capital.
- **Working capital risk:** the Company must monitor working capital to ensure it is sufficient to meet operational needs of development and growth of the Company.
- **Competition risk:** there is growing interest from international and domestic businesses in the industry in which the Company operates. Property Partner has successfully differentiated itself by offering a regulated secondary market which provides liquidity to investors, and a sophisticated technology enabled platform.
- **Fraud risk:** due to the nature of the business, the Company is at risk from external fraud. Robust controls are maintained to mitigate risks such as customer identity verification and bank verification procedures.
- **Reputational risk:** the Company invests in marketing through various channels and initiatives to build its brand and to acquire customers. Were the brand to be affected in any way, through bad publicity or negative associations, this could impact customer confidence and damage business prospects.

# London House Exchange Limited

## Strategic report for the year ended 31 December 2019 (*continued*)

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### Principal risks and uncertainties (*continued*)

- **Systems risk:** the operations of the Company are highly dependent on technology. A failure of the Company's core systems or customer interfaces could pose significant risk to the business. The Company has controls in place to mitigate such risks, such as DDoS (Distributed Denial of Service) and data encryption.
- **Property market volatility:** changes in property values could directly impact the level of revenues and investor confidence.
- **Client investment sentiment:** changes in client demand and affordability could directly impact the level of fees and therefore revenues.

The Company has a compliance manual and policies to reduce any compliance risk and to ensure the Company adheres to all regulatory requirements. This is the responsibility of the Compliance Officer who manages the process. The Board manages risk in relation to performance, through regular meetings of the Board and review of monthly financial information.

### Financial key performance indicators

The Directors monitor (i) turnover, (ii) operating costs, (iii) net assets and (iv) cash at bank, on a monthly basis. For the year ending 31 December 2019 turnover was £1.7m, on par with 2018. Operating costs were £3.6m, a 50% decrease from £7.2m in 2018. Net assets were £2.2m, a decrease of £0.5m on 2018 and cash at bank decreased to £0.8m from £2.0m.

During 2019 the Company received shareholder funding of £1.0m.

Immediately following the end of the financial year, in January 2020, the Company received £345,000 from HMRC in relation to the 2018 R&D claim. At 30 June 2020, the Company had cash at bank of £1.2m.

### Other key performance indicators

The Company's key performance indicators ("KPIs") are monitored by the directors on a regular basis including: (i) total funds invested through the platform, (ii) number of investors, (iii) average investment per investor, (iv) property assets under management and (v) secondary market trading volumes and prices.

As at 31 December 2019, total funds invested through the platform was £123m (2018: £103m), of which £77m (2018: £72m) was investment through new property listings. £40m (2018: £29m) was invested through its secondary market and £6m (2018: £1m) was invested in debt bonds. The total number of investors was 9,486 (2018: 10,035) and average investment per investor was £7,799 (2018: £7,041).

Property assets under management were £140m (2018: £125m).

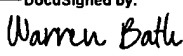
Secondary market trading for the year ending 31 December 2019 continued to be strong, with £9.8m traded, compared with £10.0m in 2018.

## Employees

London House Exchange Limited is committed to equal opportunities in the workplace. The Company identifies skills that are required to perform the business operations and this influences its hiring strategy. The performance of the Company is communicated to staff on a regular basis.

## Approval

This Strategic Report was approved on behalf of the Board on 5/8/2020 | 09:21 PDT

DocuSigned by:  
  
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WB Bath  
Director

# London House Exchange Limited

## Directors' report for the year ended 31 December 2019

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

### Principal activity

London House Exchange Limited is a property crowdfunding platform and trading exchange. The Company operates under the trading name Property Partner. The principal activity of London House Exchange Limited is to provide retail and professional investors access to property investments, and to provide investment liquidity through a trading platform.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors

The directors who served during the year were:

D M Gandesha  
J AJ Oliver  
E J Wray  
W B Bath  
N F Wass (Resigned 21 October 2019)  
M King (Resigned 21 July 2020)

### Political contributions

The directors did not make any political donations.

### Going concern

On 15 July 2019 the Company announced the introduction of an assets under management fee ("AUM") of 1.2% per annum chargeable to the property SPVs managed by the Company. This recurring income stream, coupled with significant cost reduction measures implemented at the time, makes the Company significantly more resilient during periods of slower growth. In addition, the Company received equity funding of £1m in June 2019.

The Directors have prepared business plans and sensitised cash flow forecasts for the next two years. Having considered various scenarios, even on the most conservative forecast, they consider the financial resources available to the Company to be sufficient to meet its operational needs, liabilities and commitments for a period of longer than 12 months from the signing of these accounts.

The Directors have also considered the impact of the Covid-19 crisis, and in particular, the Company's security of recurring income streams, the achievement of further cost reductions (since the crisis commenced) and the Company's cash reserves at 30 June 2020 of £1.2m. The Directors have concluded that they do not expect the Covid-19 crisis to impact the ability of the Company to continue in the short term and accordingly have prepared the financial statements on a going concern basis.

# London House Exchange Limited

## Directors' report for the year ended 31 December 2019 *(continued)*

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### Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the Company's auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

### Approval

This Directors' Report was approved on behalf of the Board on 5/8/2020 | 09:21 PDT

DocuSigned by:

Warren Bath

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W B Bath

**Director**

## **London House Exchange Limited**

### **Directors' responsibilities statement for the year ended 31 December 2019**

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The directors are responsible for preparing the strategic report, 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 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;
- state whether applicable UK Accounting Standards have been followed, 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.



# London House Exchange Limited

## Independent auditor's report

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### INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONDON HOUSE EXCHANGE LIMITED

#### Opinion

We have audited the financial statements of London House Exchange Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the statement of cash flows, and the 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 loss 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# London House Exchange Limited

## Independent auditor's report (*continued*)

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

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

## London House Exchange Limited

### Independent auditor's report (continued)

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#### Responsibilities of Directors

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Alexander Tapp** (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date: 6 August 2020

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

## London House Exchange Limited

### Profit and loss account for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	2	1,774,702	1,690,272
Administrative expenses		<b>(3,603,327)</b>	(7,210,585)
Other operating income	3	3,644	2,568
<b>Operating loss</b>	4	<b>(1,824,981)</b>	(5,517,745)
Interest receivable and similar charges		2,638	11,510
Interest payable and similar expenses		<b>(44,984)</b>	(80,998)
<b>Loss on ordinary activities before taxation</b>		<b>(1,867,327)</b>	(5,587,233)
Taxation on loss on ordinary activities		348,651	216,000
<b>Loss for the financial year</b>		<b>(1,518,676)</b>	(5,371,233)

There are no items of other comprehensive income for either the year or the prior year other than the loss for the year. Accordingly no statement of other comprehensive income has been presented.

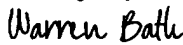
The notes on pages 14 to 24 form part of these financial statements.

## London House Exchange Limited

### Balance sheet at 31 December 2019

<i>Company number 08820870</i>	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Tangible assets	8		-		19,671
<b>Current assets</b>					
Debtors: amounts falling due within one year	9	1,696,527		1,579,041	
Current asset investments	10	32,369		341,944	
Cash at bank and in hand		811,607		2,021,896	
		<u>2,540,503</u>		<u>3,942,881</u>	
<b>Creditors: amounts falling due within one year</b>	11	<b>(316,421)</b>		<b>(1,222,297)</b>	
<b>Net current assets</b>			<b>2,224,082</b>		<b>2,720,584</b>
<b>Total assets less current liabilities</b>			<b>2,224,082</b>		<b>2,740,255</b>
<b>Creditors: amounts falling due after more than one year</b>			-		-
<b>Net assets</b>			<b>2,224,082</b>		<b>2,740,255</b>
<b>Capital and reserves</b>					
Called up share capital	12		410		383
Share premium account			27,376,411		26,373,935
Profit and loss account			(25,152,739)		(23,634,063)
<b>Total equity</b>			<b>2,224,082</b>		<b>2,740,255</b>

The financial statements were approved by the Board of Directors and authorised for issue on 5/8/2020 | 09:21 PDT

DocuSigned by:  
  
 WB Bath  
 Director

The notes on pages 14 to 24 form part of these financial statements.

## London House Exchange Limited

### Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>1 January 2018</b>	314	20,893,353	(18,262,830)	2,630,837
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(5,371,233)	(5,371,233)
<b>Total comprehensive income for the year</b>				
Shares issued during the year	69	5,480,582	-	5,480,651
<b>31 December 2018</b>	383	26,373,935	(23,634,063)	2,740,255
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(1,518,676)	(1,518,676)
<b>Total comprehensive income for the year</b>				
Shares issued during the year	27	1,002,476	-	1,002,503
<b>31 December 2019</b>	410	27,376,411	(25,152,739)	2,224,082

The notes on pages 14 to 24 form part of these financial statements.

## London House Exchange Limited

### Statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
<b>Cash flows from operating activities</b>		
<b>Loss for the financial year</b>	<b>(1,867,327)</b>	<b>(5,587,233)</b>
Adjustments for:		
Depreciation of tangible assets	19,671	1,117
Interest paid	44,984	80,998
Interest received	(2,638)	(11,510)
Write down of investment property	81,000	-
(Increase) in debtors	(213,258)	(9,023)
(Decrease) in creditors	(157,156)	(660,395)
R&D tax credit received	444,422	-
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>(1,650,302)</b>	<b>(6,186,046)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	-	188
Disposal of investment in property and property related activities	228,575	-
Investment in property and property related activities	-	(163,379)
Interest received	2,638	11,510
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>231,213</b>	<b>(151,681)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	27	69
Share premium	1,002,476	5,480,582
Repayment of venture debt	(748,809)	(983,334)
Interest (paid)	(44,894)	(80,357)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>208,800</b>	<b>4,416,960</b>
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,210,289)</b>	<b>(1,920,767)</b>
Cash and cash equivalents at beginning of year	2,021,896	3,942,663
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year</b>	<b>811,607</b>	<b>2,021,896</b>
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<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	811,607	2,021,896
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The notes on page 14 to 24 form part of these financial statements.

# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019

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### 1 Accounting policies

London House Exchange Limited is a private company limited by shares and incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

In the opinion of the directors the Company has taken exemption from the requirement to prepare group accounts by virtue of Sections 402 and 405(2) of the Companies Act 2006 as the effect of consolidating the results of its subsidiaries would not be material for the purpose of giving a true and fair view.

The financial statements are presented in Sterling (£).

The following principal accounting policies have been applied:

#### *Going concern*

On 15 July 2019 the Company announced the introduction of an assets under management fee ("AUM") of 1.2% per annum chargeable to the property SPVs managed by the Company. This recurring income stream, coupled with significant cost reduction measures implemented at the time, makes the Company significantly more resilient during periods of slower growth. In addition, the Company received equity funding of £1m in June 2019.

The Directors have prepared business plans and sensitised cash flow forecasts for the next two years, having considered various scenarios, even on the most conservative forecast, they consider the financial resources available to the Company to be sufficient to meet its operational needs, liabilities and commitments for a period of longer than 12 months from the signing of these accounts.

The Directors have also considered the impact of the Covid-19 crisis, and in particular, the Company's security of recurring income streams, the achievement of further cost reductions (since the crisis commenced) and the Company's cash reserves at 30 June 2020 of £1.2m. The Directors have concluded that they do not expect the Covid-19 crisis to impact the ability of the Company to continue in the short term and accordingly have prepared the financial statements on a going concern basis.



# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Revenue recognition*

The Company had the following revenue sources:

- Transaction fees (New Listing Income) of 2%, paid by investors on investments from new listings.
- Resale market fees of 2%, paid by investors for arranging the issue and/or placement of securities on the secondary market.
- Sourcing and Vendor fees, charged at a combined maximum of 3.5% of property purchase value.
- Property Management fees of 10.5% per annum of net rental income, charged to properties trading on the resale market.
- Monthly AUM Fees of 1.2% per annum, charged to the properties.
- Monthly Account fee of £1, charged to investors.
- Debt arrangement fees on development bonds of 2%.

Expenses are accounted for on an accrual basis.

#### *Tangible fixed assets*

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	3 years straight line
Computer equipment	-	3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

#### *Financial instruments*

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments..

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

The company's policies for its major classes of financial assets and financial liabilities are set out below.

#### *Financial assets*

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

#### *Financial liabilities*

Basic financial liabilities, including trade and other creditors and other loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### *Impairment of financial assets*

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Offsetting of financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Valuation of investments*

Property and property related investments are carried at cost.

#### *Cash at bank and in hand*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

#### *Foreign currency translation*

The company's functional and presentational currency is Sterling (£).

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. Nonmonetary 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 the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the within 'administrative expenses'.

#### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Interest payable and similar expenses*

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Operating leases*

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### *Pensions*

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.

The contributions are recognised as an expense in the profit and loss account 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.

#### *Interest receivable and similar income*

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

#### *Employee benefits*

The company has an employee share option plan, under the Enterprise Management Incentive Scheme.

On 14 June 2019, all existing option grants were cancelled - both in respect of past and current employees.

In November 2019, the company adopted a new Enterprise Management Incentive share option plan and options over 1,297,934 Ordinary shares were granted in the year to 6 employees.

At the date of new grants, the actual market value and unrestricted market value of the options agreed with HMRC was equal to a nominal value (£0.0001). Given the lack of available information, a valuation of the employee options using conventional methods such as the BlackScholes option pricing model, management consider current and historic performance as well as net asset value of the company to determine fair value of the options at grant date.

#### *Venture debt*

Borrowings are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Company's venture debt was fully repaid on 29 November 2019.

# London House Exchange Limited

## Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2 Turnover

	2019 £	2018 £
An analysis of turnover by class of business is as follows:		
Vendor fee	117,433	640,878
Transaction fees	78,665	296,643
Resale revenue	113,922	195,531
Property management revenue	647,172	443,331
Debt arrangement fee	96,268	23,472
Sourcing fee	272,137	89,400
AUM fee	379,541	-
Other revenue	69,564	1,017
	<u>1,774,702</u>	<u>1,690,272</u>

## London House Exchange Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>3 Other operating income</b>		
Other operating income	3,644	2,568
<b>4 Operating loss</b>		
This is arrived at after charging:		
Operating lease expenditure	182,357	432,665
Depreciation of tangible fixed assets	19,671	1,012
Fees payable to the company's auditor for the audit of the company's annual financial statements	23,100	22,000
Fees payable to the company's auditor for taxation services	-	-
Fees payable to the company's auditor for other services	-	-
Fees payable to the company's auditor for the regulatory audit	18,000	18,000
<b>5 Employees</b>		
The average number of monthly employees, including directors during the year was 17 (2018 – 37).		
<b>6 Directors remuneration</b>		
The directors received remuneration of £184,110 (2018 - £343,310).		
The highest paid director received remuneration of £108,633 (2018 - £141,292).		
<b>7 Taxation on loss on ordinary activities</b>		
<i>UK corporation tax</i>		
Current tax on profits of the year	(348,651)	(216,000)
Total deferred tax	-	-
Taxation on loss	(348,651)	(216,000)

The balance above comprises R&D tax credits re-claimed from HMRC. As the Company is loss making and with no other tax adjustments, the reconciliation of tax at standard rates has not been prepared.

The best estimate of the company's unrelieved UK tax losses is £19,766,235 (2018 - £22,648,988), which can be recovered against UK tax profits in the future. A deferred tax asset has not been recognised as it is uncertain that the company will generate suitable tax profits in the future.

## London House Exchange Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

<b>8 Tangible fixed assets</b>	<b>Office equipment £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 January 2019	4,011	57,008	61,019
Additions	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2019	<b>4,011</b>	<b>57,008</b>	<b>61,019</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2019	1,614	39,734	41,348
Charge for year	2,397	17,274	19,671
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2019	<b>4,011</b>	<b>57,008</b>	<b>61,019</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2019	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2018	2,397	17,274	19,671
	<hr/>	<hr/>	<hr/>
<b>9 Debtors</b>		<b>2019 £</b>	<b>2018 £</b>
Trade debtors		61,301	41,784
Other debtors		1,095,382	962,017
Prepayments and accrued income		539,844	562,929
Other taxation and social security		-	12,311
		<hr/>	<hr/>
		<b>1,696,527</b>	<b>1,579,041</b>
		<hr/>	<hr/>

## London House Exchange Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

<b>10 Current asset investments</b>	<b>2019 £</b>	<b>2018 £</b>
Property investments	32,369	341,944
<b>11 Creditors: amounts falling due within one year</b>	<b>2019 £</b>	<b>2018 £</b>
Venture debt	-	748,809
Trade creditors	53,706	53,922
Other taxation and social security	8,687	-
Other creditors	6,903	154,759
Accruals and deferred income	247,125	264,807
	<b>316,421</b>	<b>1,222,297</b>

The company has previously raised £3m of venture debt facility with an interest rate of 6.75%. The £3m was drawn down in two tranches of £1.5m in 2015 and 2016 respectively. The balance of £748,809 was repaid on 29 November 2019.

Within accruals we have made a prudent provision of £75k for costs relating to complaints made to the Financial Ombudsman Service (FOS). These costs are case fees and become chargeable when their consumer helpline passes a complaint on to one of their adjudicators for further investigation.



## London House Exchange Limited

**Notes forming part of the financial statements  
for the year ended 31 December 2019 (continued)**

### 12 Share capital

	2019 £	2018 £
<b>Shares classified as equity</b>		
<i>Allotted, called up and fully paid</i>		
4,095,465 (2018 - 3,835,348) Ordinary shares of £0.0001 each	410	383
(2018 - 395,800) Ordinary A shares of £0.0001 each	-	-
(2018 - 794,800) Series A shares of £0.0001 each	-	-
(2018 - 587,700) Series B shares of £0.0001 each	-	-
	410	383
	410	383

The holders of Ordinary shares, Ordinary A shares, Series A and Series B shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company.

### 13 ESOP shares

Share options are granted to employees, directors and certain advisors. All the options are equity-settled and are exercisable on various dates up to four years from the date of grant. The contractual life of each option granted is ten years.

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	-	-	89.31	187,576
Granted during the year	0.00	1,297,934	-	-
Forfeited during the year	-	-	(89.31)	(187,576)
Exercised during the year	-	-	-	-
	0.00	1,297,934	-	-
	0.00	1,297,934	-	-

We have determined the fair value of the share options at grant date to be £Nil.

## London House Exchange Limited

### Notes forming part of the financial statements for the year ended 31 December 2019 *(continued)*

#### 14 Commitments under operating leases

At 31 December 2019 the company had minimum lease payments under non-cancellable operating leases as set out below:

	2019 £	2018 £
Not later than 1 year	<b>3,200</b>	172,800

#### 15 Related party transactions

Except for the transactions disclosed in the accounting policies and note 6, there were no related party transactions in the period. Transaction fees of £189 (2018 - £4,305) were earned in the year from transactions with directors. These transactions took place at arm's length.

#### 16 Parent undertaking

The immediate and ultimate parent company is LHE Holdings Limited (Jersey). Group financial statements are not prepared.

#### 17 Post balance sheet events

In January 2020, the Company received cash from HMRC of £345,000 in relation to the 2018 R&D claim.

In March 2020, the magnitude of the Covid-19 crisis began to become clear. Given the security of the Company's recurring income streams, the achievement of further cost reductions (since the crisis commenced) and the Company's cash reserves at 30 June 2020 of £1.2m, the Directors do not expect the Covid-19 crisis to impact the ability of the Company to continue on a going concern basis.