

London House Exchange Limited

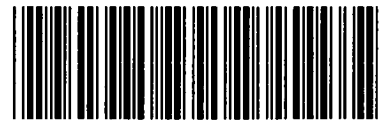
Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 08820870

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London House Exchange Limited

Report and financial statements
for the year ended 31 December 2018

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Directors

D M Gandesha
J A J Oliver
E J Wray
W B Bath
N F Wass
M King

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 2018

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

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. Property Partner 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 exit their investment.

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

The Company generates revenues primarily from (i) fees charged to vendors that sell properties on the platform, (ii) one-off transaction fees, and (iii) 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.

During the year, the Company launched two different property asset classes, commercial property and development debt bonds. This has allowed investors to diversify their portfolio and provide entry to an asset class that traditionally has been difficult for individual investors to access.

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.
- *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, and security measures applied on account funding by debit cards.
- *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.
- *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 fees and therefore revenues, and also investor confidence.

London House Exchange Limited

Strategic report for the year ended 31 December 2018 (*continued*)

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 Compliance, Audit and Risk Committee and review of monthly financial information.

Financial key performance indicators

The Directors monitor (i) turnover, (ii) net assets and (iii) cash at bank on a monthly basis. For the year ending 31 December 2018 turnover was £1.7m, a decrease of £0.03m on 2017. Net assets were £2.7m, an increase of £0.1m on 2017 and Cash at bank decreased to £2.0m from £3.9m.

During 2018 the Company received two tranches of funding totalling £5.4m in total.

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 and (iv) property assets under management.

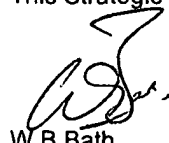
As at 31 December 2018, total funds invested through the platform was £102.9m (2017 - £78.1m), of which £72.3m (2017 - £58.8m) was investment through new property listings, £29.2m (2017 - £19.3m) was invested through its secondary market and £1.4m (2017 - £0) was invested in debt bonds. The total number of investors was 13,062 (2017 - 12,000), average investment per investor was £8,466 (2017 - £6,500) and property assets under management were £124.5m (2017 - £96.4m).

Employees

London House Exchange Limited (Property Partner) 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 13 September 2019.



W B Bath
Director

London House Exchange Limited

Directors' report for the year ended 31 December 2018

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

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 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
N A Rimer
M King (appointed 20 April 2018)
N A Rimer (resigned 31 August 2018)

Political contributions

The Directors did not make any political donations.

Going concern

The Directors have prepared forecasts for the next four years and consider the financial resources available to the Company are sufficient to meet its operational needs, liabilities and commitments for a period of longer than 12 months from the signing of these accounts. As the assumptions are forecasts the actual results may differ, it is possible that the Company may need to seek additional capital in order to achieve the long term business plan. The Directors do not expect this 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 2018 (*continued*)

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.

KPMG LLP resigned as auditors of the Company during the year and BDO LLP were appointed as auditors of the company by the Directors. BDO LLP has 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 13 September 2019.



W B Bath

Director

London House Exchange Limited

Directors' responsibilities statement for the year ended 31 December 2018

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 for the year ended 31 December 2018

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 2018 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 2018 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.

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.

London House Exchange Limited

Independent auditor's report for the year ended 31 December 2018 (*continued*)

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 year 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 Director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

London House Exchange Limited

Independent auditor's report
for the year ended 31 December 2018 (*continued*)

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.



13 September 2019

Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

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 2018

	Note	2018 £	Restated 2017 £
Turnover	3	1,690,272	1,724,088
Administrative expenses		(7,210,585)	(8,562,320)
Other operating income	4	2,568	(38,313)
Operating loss	5	(5,517,745)	(6,876,545)
Interest receivable and similar charges		11,510	14,390
Interest payable and similar expenses		(80,998)	(150,807)
Loss on ordinary activities before taxation		(5,587,233)	(7,012,962)
Taxation on loss on ordinary activities		216,000	769,075
Loss for the financial year		(5,371,233)	(6,243,887)

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 13 to 23 form part of these financial statements.

London House Exchange Limited

Balance sheet
at 31 December 2018

Company number 08820870	Note	2018	2018	Restated	Restated
		£	£	2017	2017
				£	£
Fixed assets					
Tangible assets	9		19,671		20,683
Current assets					
Debtors: amounts falling due within one year	10	1,579,041		1,354,955	
Current asset investments	11	341,944		178,562	
Cash at bank and in hand		2,021,896		3,942,663	
		<u>3,942,881</u>		<u>5,476,180</u>	
Creditors: amounts falling due within one year	12	(1,222,297)		(2,148,169)	
Net current assets			2,720,584		3,328,011
Total assets less current liabilities			2,740,255		3,348,694
Creditors: amounts falling due after more than one year	13		-		(717,857)
Net assets			2,740,255		2,630,837
Capital and reserves					
Called up share capital	14		383		314
Share premium account			26,373,935		20,893,353
Profit and loss account			(23,634,063)		(18,262,830)
Total equity			2,740,255		2,630,837

The financial statements were approved by the Board of Directors and authorised for issue on 13/9/19.


W B Bath
Director

The notes on pages 13 to 23 form part of these financial statements.

London House Exchange Limited

Statement of changes in equity for the year ended 31 December 2018

	Share capital £	Share premium account £	Profit and loss account £	Total equity £
1 January 2017	293	17,648,929	(12,018,943)	5,630,279
Comprehensive income for the year				
Loss for the year	-	-	(6,243,887)	(6,243,887)
Total comprehensive income for the year	-	-	(6,243,887)	(6,243,887)
Shares issued during the year	21	3,244,424	-	3,244,445
31 December 2017 (restated)	314	20,893,353	(18,262,830)	2,630,837
Comprehensive income for the year				
Loss for the year	-	-	(5,371,233)	(5,371,233)
Total comprehensive income for the year				
Shares issued during the year	69	5,480,582	-	5,480,651
31 December 2018	383	26,374,004	(23,634,063)	2,740,255

The notes on pages 13 to 23 form part of these financial statements.

London House Exchange Limited

Statement of cash flows for the year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(5,587,233)	(7,012,962)
Adjustments for:		
Depreciation of tangible assets	1,117	21,492
Interest paid	80,998	150,807
Interest received	(11,510)	(14,390)
(Increase) in debtors	(9,023)	(523,010)
Increase in creditors	(660,395)	576,257
R&D tax credit received	-	469,075
	<hr/>	<hr/>
Net cash generated from operating activities	(6,186,046)	(6,332,731)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of tangible fixed assets	188	(18,917)
Disposal of investment in property and property related activities	-	179,636
Investment in property and property related activities	(163,379)	-
Interest received	11,510	14,390
	<hr/>	<hr/>
Net cash from investing activities	(151,681)	175,109
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of ordinary shares	69	21
Share premium	5,480,582	3,244,403
Repayment of venture debt	(983,334)	(1,014,286)
Interest (paid)	(80,357)	(150,807)
	<hr/>	<hr/>
Net cash used in financing activities	4,416,960	2,079,331
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,920,767)	(4,078,291)
Cash and cash equivalents at beginning of year	3,942,663	8,020,954
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	2,021,896	3,942,663
	<hr/>	<hr/>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,021,896	3,942,663
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The notes on page 13 to 23 form part of these financial statements.

London House Exchange Limited

Notes forming part of the financial statements for the year ended 31 December 2018

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 SPVs managed by the Company. This recurring income stream, coupled with cost reduction measures, 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 four years. As the Company has yet to generate a profit, or positive operating cash flows, the assumptions within these long term forecasts are judgemental and actual results may differ. It is possible that the Company may need to seek additional capital in order to achieve the long term business plan.

After making enquires and considering the uncertainties described above, and taking into account current cash balances and forecast cash flows over the next 12 months, the Directors have an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, these financial statements have been prepared on a going concern basis.

London House Exchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Revenue recognition

The company has five revenue sources as follows:

- Transaction fees (New Listing Income) of 2% are paid by investors on investments from new listings.
- Resale fees of 2% are paid by the investors for arranging the issue and/or placement of securities on the secondary market.
- Sourcing and Vendor fees are charged at a maximum 3.5% of the property purchase value.
- Property Management fees of 10.5% per annum of net rental income are charged to the properties that have completed funding and are available for trading on the resale market.

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 2018 (*continued*)

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 2018 (*continued*)

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 fair value.

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

Functional and presentation currency

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

Transactions and balances

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 2018 (continued)

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

Defined contribution 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.

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. The share options are expensed over the period from the date that the award is granted to the date the award is settled in shares. Options over 55,443 Ordinary shares were granted in 2017 to 25 employees. At the date of grant, the actual market value and unrestricted market value of the options agreed with HMRC was equal to nominal value (£0.0001). Given the lack of available information a valuation of the employee options using conventional methods such as the Black-Scholes 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.

On 7 January 2018, employees were granted replacement options over shares in LHE Holdings Limited following the acquisition by LHE Holdings Limited of the entire issued share capital of London House Exchange Limited on 8 December 2017. As a result of this reorganisation, the existing options over shares in London House Exchange Limited ceased to be exercisable and lapsed, on the basis that employees would be offered replacement options, in equivalent terms to their existing options, over shares in LHE Holdings Limited.

Venture capital 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.

London House Exchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (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 Prior year adjustment

During the prior year, the company recognised £298,625 of revenue which shouldn't have been recognised until the current period. An adjustment has been made to remove this from revenue in the prior year. This adjustment increases the prior year loss by £298,625 and decreases the company's net assets by £298,625 in the prior year.

3 Turnover

	2018 £	Restated 2017 £
An analysis of turnover by class of business is as follows:		
Vendor fee	640,878	808,735
Transaction fees	296,643	430,190
Resale revenue	195,531	166,302
Property management revenue	443,331	318,861
Debt arrangement fee	23,472	-
Sourcing Fee	89,400	-
Other revenue	1,017	-
	<u>1,690,272</u>	<u>1,724,088</u>

London House Exchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

4 Other operating income

	2018 £	2017 £
Other operating income	2,568	(38,313)
	2,568	(38,313)

5 Operating loss

	2018 £	2017 £
This is arrived at after charging:		
Operating lease expenditure	432,665	258,915
Depreciation of tangible fixed assets	1,012	21,492
Fees payable to the company's auditor for the audit of the company's annual financial statements	22,000	10,000
Fees payable to the company's auditor for taxation services	-	12,533
Fees payable to the company's auditor for other services	-	5,000
Fees payable to the company's auditor for the regulatory audit	18,000	44,500
	18,000	44,500

6 Employees

The average number of monthly employees, including Directors during the year was 37 (2017 – 41).

7 Directors remuneration

The Directors received remuneration of £343,310 (2017 - £288,208).

The highest paid Director received remuneration of £141,292 (2017 - £157,667).

8 Taxation on loss on ordinary activities

	2018 £	2017 £
<i>UK corporation tax</i>		
Current tax on profits of the year	(216,000)	(769,075)
	-	-
Total deferred tax	-	-
	(216,000)	(769,075)
Taxation on loss	(216,000)	(769,075)
	(216,000)	(769,075)

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 £22,648,988 (2017 - £17,937,258), 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 2018 *(continued)*

9 Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
<i>Cost</i>			
At 1 January 2018	4,094	56,820	60,914
Additions	-	188	188
Disposals	(83)	-	(83)
	4,011	57,008	61,019
<i>Depreciation</i>			
At 1 January 2018	1,152	39,079	40,231
Charge for year	462	655	1,117
Disposals	-	-	-
	1,614	39,734	41,348
<i>Net book value</i>			
At 31 December 2018	2,397	17,274	19,671
At 31 December 2017	2,942	17,741	20,683

10 Debtors

	2018 £	Restated 2017 £
Trade debtors	41,784	175,401
Other debtors	962,017	564,853
Prepayments and accrued income	562,929	614,701
Other taxation and social security	12,311	-
	1,579,041	1,354,955
	1,579,041	1,354,955

London House Exchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

11 Current asset investments

	2018 £	Restated 2017 £
Property investments	341,944	178,562

12 Creditors: amounts falling due within one year

	2018 £	Restated 2017 £
Venture debt	748,809	1,014,286
Trade creditors	53,922	303,816
Other taxation and social security	-	-
Other creditors	154,759	2,608
Accruals and deferred income	264,807	827,459
	<u>1,222,297</u>	<u>2,148,169</u>

The company has raised a £3m 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 will be repaid by December 2019.

13 Creditors: amounts falling due after more than one year

	2018 £	Restated 2017 £
Venture debt	-	717,857

London House Exchange Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (continued)

14 Share capital

	2018 £	Restated 2017 £
Shares classified as equity		
<i>Allotted, called up and fully paid</i>		
3,835,348 (2017 - 3,140,075) Ordinary shares of £0.0001 each	383	314
(2017 - 395,800) Ordinary A shares of £0.0001 each	-	-
(2017 - 794,800) Series A shares of £0.0001 each	-	-
(2017 - 587,700) Series B shares of £0.0001 each	-	-
	<u>383</u>	<u>314</u>

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.

On 8 December 2017 London House Exchange undertook a corporate restructure. A new holding company LHE Holdings Limited (incorporated in Jersey) purchased the entire issued share capital of London House Exchange Limited in consideration of the issue of new shares in LHE Holdings Limited to the company's existing shareholders. After the restructure shares in London House Exchange Limited were all re-designated as ordinary shares.

15 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) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year	89.31	187,576	37.94	274,662
Granted during the year			169.18	95,932
Forfeited during the year	(89.31)	(187,576)	123.09	(80,402)
Exercised during the year			0.01	(102,617)
	<u>-</u>	<u>-</u>	<u>89.31</u>	<u>187,575</u>

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 2018 (continued)

16 Commitments under operating leases

At 31 December 2018 the company had minimum lease payments under non-cancellable operating leases as set out below:

	2018 £	2017 £
Not later than 1 year	172,800	392,535

17 Related party transactions

Except for the transactions disclosed in the accounting policies and note 7, there were no related party transactions in the period. Transaction fees of £4,305 (2017 - £1,120) were earned in the year from transactions with Directors. These transactions took place at arm's length.

18 Parent undertaking

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

19 Post balance sheet events

On 14 June 2019, the Company received further funding from its parent LHE Holdings Ltd (Jersey) totalling £1m.

On 24 July 2019, Marshall King resigned as CEO and took a new position on the board as Non-Executive Director. Warren Bath was appointed as CEO on the same date.