
AXONIX LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

AXONIX LTD

COMPANY INFORMATION

Directors	F Hager (appointed 31 October 2019) A Howell
Registered number	08953245
Registered office	40 Berkeley Square London United Kingdom W1J 5AL
Independent auditors	Nyman Libson Paul LLP Chartered Accountants and Registered Auditors 124 Finchley Road London NW3 5JS

AXONIX LTD

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AXONIX LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present the strategic report and financial statements for the year ended 31 December 2019. The company is responsible for selling advertising inventory, directly and through an advertising exchange which is a technology platform facilitating real time auctions of advertising impressions on mobile apps or mobile websites. The largest market for the company is the USA with Western Europe also being significant.

Review of the business

The company has continued to invest in improving technology platform to run the real time advertising exchange. Technology improvements have enabled easier integration of publishers, and this coupled with a focus on acquiring new demand partners as well as new publishers has resulted in revenue increasing/decreasing as the year progressed.

Principal Risk Management Objectives, Policies and Exposure

The company's principal financial instruments comprise bank balances, trade payables, trade receivable and balances with related parties. The main purpose of the instruments is to raise funds to finance the company's operations. Due to the nature of the financial instruments used by the company there is no exposure to price risk.

The company's operation, including risk and uncertainties, are reviewed regularly. The principal risks and uncertainties facing the company are:

- The company is relatively new to the market and significant acquisition of publishers and demand partners may prove challenging.
- The company may not be able to, or it may take longer than expected, to develop and launch new and innovative products or services and these products and services may not deliver appropriate customer engagement or usage when deployed. The products and services may not deliver commercial values.
- Regulatory risks could reduce the company's ability to sell certain products and services. This includes developments in privacy and data protection and advertising law, regulators interpretation of these or media and general consumer concerns.
- Competitors may develop different products and services more quickly than the company which are sold to customers.

These risks are mitigated by utilising a number of different approaches to selling inventory with first party relationships via RTB (Real Time Bidding) exchange at the core but also incorporating direct sales and third-party supply relationships. This mitigate both risks on developing technology and acquisition of relationships.

Regulatory risks are mitigated by complying with all rules and regulations and offering opt-out solutions. In-house legal presence ensures continued awareness and compliance.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Analysis of Development and Performance

The company earns revenue through the provision of advertising inventory to brands through its exchange and directly. The company's performance is measured principally through revenue generated from these sales of inventory via the exchange and directly to advertisers.

Analysis based in Key Performance Indicators

The company uses revenue and profit or loss as its main Key Performance Indicators. The revenue for the year decreased from \$7.0 million in 2018 to \$4.4 million in 2019 and whilst we made a loss of \$1.6 million in 2019.

This report was approved by the board on 25 March 2021 and signed on its behalf.

A Howell
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were:

F Hager (appointed 31 October 2019)
J New (resigned 31 October 2019)
A Howell

Results and dividends

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The loss for the year, after taxation, amounted to \$1,654,662 (2018 - loss \$2,699,211).

Future developments

The directors believe that there will be no material change in the operation of the business in 2021.

Financial instruments

Details of the company's approach to financial risk management are set out in note 4 to the financial statements.

Engagement with employees

The company's policy is to consult and discuss with employees matters likely to affect their interests. Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Directors' responsibilities statement

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are

reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

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

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

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Auditors

The auditors, Nyman Libson Paul LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 March 2021 and signed on its behalf.

A Howell
Director

AXONIX LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXONIX LTD

Opinion

We have audited the financial statements of Axonix Ltd for the year ended 31 December 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out on pages 15 - 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

AXONIX LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXONIX LTD (CONTINUED)

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 auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 5, 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.

AXONIX LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXONIX LTD (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Richard Paul (Senior Statutory Auditor)
for and on behalf of
Nyman Libson Paul LLP
Chartered Accountants and Registered Auditors
124 Finchley Road
London
NW3 5JS

25 March 2021

AXONIX LTD

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
Revenue	6	4,426,025	6,961,291
Cost of sales		(3,928,493)	(5,696,301)
Gross profit		<u>497,532</u>	<u>1,264,990</u>
Other operating income	7	-	37,601
Administrative expenses		(2,152,194)	(2,992,635)
Loss from operations		<u>(1,654,662)</u>	<u>(1,690,044)</u>
Financial income	10	-	5,793
(Loss) on disposal of assets		-	(1,007,723)
Loss before tax		<u>(1,654,662)</u>	<u>(2,691,974)</u>
Tax credit	11	-	(7,237)
Loss for the year		<u>(1,654,662)</u>	<u>(2,699,211)</u>
Total comprehensive income		<u><u>(1,654,662)</u></u>	<u><u>(2,699,211)</u></u>

The statement of comprehensive loss has been prepared on the basis that all operations are continuing operations. There are no recognised gains and losses other than those passing through the statement of comprehensive income. The notes on 14 - 25 form part of these financial statements.

AXONIX LTD
REGISTERED NUMBER: 08953245

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Assets			
Non-current assets			
Property, plant and equipment	12	6,406	19,912
Current assets			
Trade and other receivables	13	4,271,801	4,850,653
Cash and cash equivalents	18	228,939	471,319
Total current assets		<u>4,500,740</u>	<u>5,321,972</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,787,958	1,518,034
Total current liabilities		<u>1,787,958</u>	<u>1,518,034</u>
Net assets		<u><u>2,719,188</u></u>	<u><u>3,823,850</u></u>
Issued capital and reserves			
Share capital	15	2,757	2,757
Share premium reserve		33,800,570	33,250,570
Retained earnings		(31,084,139)	(29,429,477)
TOTAL EQUITY		<u><u>2,719,188</u></u>	<u><u>3,823,850</u></u>

The financial statements on pages 10 to 25 were approved and authorised for issue by the board of directors on 25 March 2021 and were signed on its behalf by:

A Howell
Director

The notes on pages 14 to 25 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital \$	Share premium \$	Retained earnings \$	Total equity \$
At 1 January 2019	2,757	33,250,570	(29,429,477)	3,823,850
Comprehensive income for the year				
Loss for the year	-	-	(1,654,662)	(1,654,662)
Total comprehensive income for the year	-	-	(1,654,662)	(1,654,662)
Contributions by and distributions to owners				
Issue of share capital	-	550,000	-	550,000
Total contributions by and distributions to owners	-	550,000	-	550,000
At 31 December 2019	<u>2,757</u>	<u>33,800,570</u>	<u>(31,084,139)</u>	<u>2,719,188</u>

	Share capital \$	Share premium \$	Retained earnings \$	Total equity \$
At 1 January 2018	2,757	33,250,570	(26,730,266)	6,523,061
Comprehensive income for the year				
Loss for the year	-	-	(2,699,211)	(2,699,211)
Total comprehensive income for the year	-	-	(2,699,211)	(2,699,211)
At 31 December 2018	<u>2,757</u>	<u>33,250,570</u>	<u>(29,429,477)</u>	<u>3,823,850</u>

The notes on pages 14 to 17 form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Loss for the year	(1,654,662)	(2,699,211)
Adjustments for		
Depreciation of property, plant and equipment	13,506	18,152
Finance income	-	(5,793)
Loss on disposal of investments	-	1,007,723
	<u>(1,641,156)</u>	<u>(1,679,129)</u>
Movements in working capital:		
Decrease in trade and other receivables	434,727	247,582
Increase/(decrease) in trade and other payables	269,924	(2,171,608)
	<u>(936,505)</u>	<u>(3,603,155)</u>
Cash generated from operations		
	<u>(936,505)</u>	<u>(3,603,155)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(4,102)
Proceeds from disposal of investments	-	3,137,009
Interest received	-	5,793
	<u>-</u>	<u>3,138,700</u>
Net cash from investing activities		
	<u>-</u>	<u>3,138,700</u>
Cash flows from financing activities		
Issue of ordinary shares	550,000	-
	<u>550,000</u>	<u>-</u>
Net cash from financing activities		
	<u>550,000</u>	<u>-</u>
Net cash decrease in cash and cash equivalents		
	<u>(386,505)</u>	<u>(464,455)</u>
Cash and cash equivalents at the beginning of year	471,319	935,774
Cash and cash equivalents at the end of the year	<u>84,814</u>	<u>471,319</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. Reporting entity

2. Basis of preparation

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The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 as they apply to the financial statements of the company for the year ended 31 December 2019.

Details of the company's accounting policies, including changes during the year, are included in note 4.

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

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

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

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise specified within accounting policies.

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2019

IFRS 16

The date of initial application of IFRS 16 for the company is 1 January 2019.

There are no material adjustments required to be made to the company's financial statements as a result of the application of IFRS 16.

ii) New standards, interpretations and amendments not yet effective

The directors anticipate that the adoption of other standards and interpretations that are not yet effective in future periods will not have any significant impact on the financial statements of the company.

AXONIX LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. Functional and presentation currency

These financial statements are presented in US dollars, which is the company's functional currency. All amounts have been rounded to the nearest US dollar, unless otherwise indicated.

4. Accounting policies

4.1 Going concern

Like many companies, we have been impacted by Covid19. Advertising spend, across the world, was significantly reduced in Q2 and Q3 of 2020. However, we have seen advertising spend increase dramatically in Q4 2020. We continue to see improvements into 2021 where Q1 revenues are higher than the same period last year.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The company is in discussions to sell some of its assets. These discussions are expected to conclude in Q2 of 2021.

Additionally, the company has received a letter of parental support from shareholders of GSO MMBU Cayman Holdings LP a parent undertaking of Axonix Ltd, which confirms that they will continue to provide financial support to the company for a period of twelve months from the date of approval of the financial statements.

4.2 Foreign currency

Transactions denominated in foreign currencies are translated into US dollars at the applicable rate at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign currency exchange rate ruling at the reporting date. Foreign exchange differences arising on transition are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign currency exchange rate ruling at the date the non-monetary assets and liabilities are recognised.

4.3 Revenue

Turnover represents amounts receivable for services net of VAT and trade discounts.

Revenue relates to services provided to customers in relation to the principal activities of the company. These services are the sale of advertising inventory, directly through an advertising exchange facility, and real time auctions of advertising impressions on mobile apps or mobile websites.

Customers are billed based on the number of adverts they have displayed to users on publisher websites or apps ("impression") through

buying advertising space from Axonix. Each impression is bought at a price determined by the auction process, with revenue being recognised for impression bought in that same period.

4. Accounting policies (continued)

4.4 Property, plant and equipment

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

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

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

Office equipment	33%	straight-line
Computer equipment	33%	straight-line

4.5 Taxation

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. Income tax relating to items recognised directly in equity is recognised in equity.

Deferred income tax is provided in full, using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax and current tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial positions date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

4.6 Financial instruments

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

4.7 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

AXONIX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Accounting policies (continued)

4.7 Financial assets (continued)

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalent includes cash in hand, deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less.

Trade debtors and other receivables are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debt is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Changes in provision against receivables are recognised in the statement of comprehensive income.

Provisions are recognised when the company has a present or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provision are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

4.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

4.9 Pension

The company operates a defined contribution scheme for the benefit of its employees. Contribution payable are charged to the profit and loss in the year they are payable.

4.10 Financial risk factors and management

The company's operation exposes it to a variety of financial risk including currency risk, credit risk and liquidity risk. The principal risks of the company and how the company manages these risks are discussed below.

Liquidity risk

The company manages its cash and borrowings requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the businesses.

Foreign currency risk

The company does not have any hedging activities as majority of the trading transactions are carried out in the company's functional currency, US dollars. However, some transactions including payroll are carried out in other currencies notably GB£.

The company is exposed to transactional foreign exchange risks arising from a small number of currency movements, primarily with respect to the GB£ that can affect its results and financial position.

Credit risk

The company manages its credit risk by credit checking customers, timely invoicing and follow up on late payments.

AXONIX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment or complexity and areas where assumptions and estimates are significant to the company's financial statements are discussed below:

Income taxes

The company evaluates the recoverability of deferred tax assets based on estimates of future earnings. The ability to recover these taxes depends ultimately on the company's ability to generate taxable earnings over the course of the period for which the deferred tax assets

remain deductible. This analysis is based on the estimated reversal of deferred taxes as well as estimates of taxable earnings, which are sourced from internal projections and are updated to reflect the latest trends.

The appropriate classification of tax assets and liabilities depends on a number of factors, including estimates as to the timing and materialisation of deferred tax assets and the forecast tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by the company as a result of changes in tax legislation or unforeseen transactions that could affect tax balances.

Plant, property and equipment

Accounting for property, plant and equipment involves the use of estimates and judgments for determining the useful lives over which these are to be depreciated.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and taking into account their expected residual values. When the company estimates useful lives, various factors are considered including expected technological obsolescence and the expected usage of the asset.

The directors regularly review these asset lives and change them as necessary to reflect the estimated current remaining lives in light of future economic utilisation and physical condition of the assets concerned. A significant change in asset lives can have a significant change on depreciation charges for the period.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. This obligation may be legal or constructive deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the company will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates.

AXONIX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Revenue

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

	2019 \$	2018 \$
Service fees	<u>4,426,025</u>	<u>6,961,291</u>

Analysis of revenue by country of destination:

	2019 \$	2018 \$
United Kingdom	32,200	1,840,847
Rest of Europe	3,490,045	904,967
USA	781,156	2,319,540
Rest of the world	122,624	1,895,937
	<u>4,426,025</u>	<u>6,961,291</u>

7. Other income

	2019 \$	2018 \$
R&D tax credit	<u>-</u>	<u>37,601</u>

8. Operating loss

	2019 \$	2018 \$
Depreciation of property, plant and equipment	13,506	18,152
Foreign exchange loss	33,119	79,926
Operation lease rentals	121,664	143,447
Fees payable to company's auditor for the audit of the company's annual accounts	24,061	23,012
Accountancy fee	13,306	5,931
Wages and salaries	<u>1,213,807</u>	<u>1,578,808</u>

AXONIX LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Employee benefit expenses

	2019 \$	2018 \$
Employee benefit expenses (including directors) comprise:		
Wages and salaries	1,213,807	1,578,808
National insurance	214,645	279,449
Defined contribution pension cost	66,443	90,375
	<u>1,494,895</u>	<u>1,948,632</u>

Key management personnel compensation

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

	2019 \$	2018 \$
Salaries	<u>327,653</u>	<u>368,154</u>

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

2019 No.	2018 No.
-------------	-------------

Product and engineering	7	11
Sales and marketing	4	7
Other	2	5
	<u>13</u>	<u>23</u>

10. Financial income

	2019	2018
	\$	\$
Bank interest	-	5,793
	<u>-</u>	<u>5,793</u>

AXONIX LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Tax expense

Current tax

Tax charge - prior year	-	<u>7,237</u>
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Total tax expense

Tax charge - prior year	-	<u>7,237</u>
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The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2019 \$	2018 \$
Loss for the year	(1,654,662)	(2,699,211)
Income tax expense (including income tax on associate, joint venture and discontinued operations)	-	7,237
Loss before income taxes	<u>(1,654,662)</u>	<u>(2,691,974)</u>
Tax using the company's domestic tax rate of 19% (2018:19%)	(314,386)	(511,475)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	2,177	6,216
Capital allowances for the year in excess of depreciation	503	(685)
Profit/(Loss) on disposal of investments	-	191,467
Unrelieved tax losses carried forward	311,706	321,714
Total tax expense	<u>-</u>	<u>7,237</u>

The company has estimated losses of \$18,786,323 (2018: \$17,145,768) available for carry forward against future trading profits. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in future against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the company. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances left.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Property, plant and equipment

	Office equipment	Computer equipment	Total
	\$	\$	\$
Cost			
At 1 January 2018	3,924	121,822	125,746
Additions	-	4,102	4,102
At 31 December 2018	<u>3,924</u>	<u>125,924</u>	<u>129,848</u>
At 31 December 2019	<u><u>3,924</u></u>	<u><u>125,924</u></u>	<u><u>129,848</u></u>
	Office equipment	Computer equipment	Total
	\$	\$	\$
Accumulated depreciation and impairment			
At 1 January 2018	3,539	88,245	91,784
Charge owned for the year	159	17,993	18,152
At 31 December 2018	<u>3,698</u>	<u>106,238</u>	<u>109,936</u>
Charge owned for the year	159	13,347	13,506
At 31 December 2019	<u><u>3,857</u></u>	<u><u>119,585</u></u>	<u><u>123,442</u></u>
Net book value			
At 1 January 2018	385	33,577	33,962
At 31 December 2018	226	19,686	19,912
At 31 December 2019	<u><u>67</u></u>	<u><u>6,339</u></u>	<u><u>6,406</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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13. Trade and other receivables

	2019 \$	2018 \$
Trade receivables	1,173,895	1,774,131
Amounts owed by parent and fellow subsidiary undertakings	3,035,742	3,035,742
Other receivables	55,636	34,252
Prepayments and accrued income	6,528	6,528
Total trade and other receivables	4,271,801	4,850,653

Amounts owed by group undertaking is a receivable balance of \$3,035,742 due from mGage Holdings, LLC and Mobile Ad Exchange Holdings, LLC, together a direct and indirect subsidiary of GSO MMBU Cayman Holdings LP. This amount is unsecured, interest free and repayable on demand.

14. Trade and other payables

	2019 \$	2018 \$
Trade payables	1,592,747	1,425,435
Other creditors	3,062	12,190
Accruals	59,073	29,012
Other taxes and social security costs	133,076	51,397
Total trade and other payables	1,787,958	1,518,034

15. Share capital**Authorised**

	2019 Number	2019 \$	2018 Number	2018 \$
Shares treated as equity				
Ordinary Shares shares of \$0.01 each	275,730	2,757	275,729	2,757
	<u>275,730</u>	<u>2,757</u>	<u>275,729</u>	<u>2,757</u>

15. Share capital (continued)

	2019 Number	2019 \$	2018 Number	2018 \$
Ordinary Shares shares of \$0.01 each				
At 1 January	275,729	2,757	275,729	2,757
Shares issued	1	-	-	-
	<u>275,730</u>	<u>2,757</u>	<u>275,729</u>	<u>2,757</u>
At 31 December				

The Ordinary Shares have full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

On 23 September 2019, the company issued 1 Ordinary Shares of \$0.01 each at a premium of \$550,000.

16. Control

The entire share capital of the company is owned by mGage Holdings, LLC and Mobile Ad Exchange Holdings, LLC, both are Delaware limited liability company. Both mGage Holdings, LLC and Mobile Ad Exchange Holdings, LLC are ultimately controlled by The Blackstone Group Inc, Delaware, USA.

17. Events after the reporting date

Since March 2020, the spread of COVID-19 pandemic has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Like many companies, we have been impacted by Covid19. Advertising spend, across the world, was significantly reduced in Q2 and Q3 of 2020. However, we have seen advertising spend increase dramatically in Q4 2020. We continue to see improvements into 2021 where Q1 revenues are higher than the same period last year

The company has considered the impact of COVID-19 pandemic and determined that these events are non-adjusting events. Accordingly the financial position and results of operation as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact.

**NOTES TO THE FINANCIAL STATEMENTS
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18. Notes supporting statement of cash flows

	2019 \$	Unaudited 2017 \$
Cash at bank available on demand	228,939	471,319
Cash and cash equivalents in the statement of financial position	<u>228,939</u>	<u>471,319</u>
Cash and cash equivalents in the statement of cash flows	<u>228,939</u>	<u>471,319</u>