

**Unaudited Financial Statements**  
**for the Period 1 April 2019 to 31 December 2019**  
**for**  
**digi.me Limited**

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**Company Information  
for the Period 1 April 2019 to 31 December 2019**

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**DIRECTORS:**

J F Ranger  
R J Goscomb  
R Donnelly  
G Whittaker  
H Uberoi  
A Sama  
E Avramakis  
J O Feig  
M Sofaer

**REGISTERED OFFICE:**

7 Bower Road  
Wrecclesham  
Farnham  
Surrey  
GU10 4ST

**REGISTERED NUMBER:**

06861219 (England and Wales)

**ACCOUNTANTS:**

Lime Accountancy Limited  
7 Bower Road  
Wrecclesham  
Farnham  
Surrey  
GU10 4ST

**Balance Sheet**  
**31 December 2019**

	Notes	31/12/19 £	£	31/3/19 £	£
<b>FIXED ASSETS</b>					
Intangible assets	4		3,604,436		2,556,916
Tangible assets	5		25,458		39,698
Investments	6		<u>846,527</u>		<u>864,265</u>
			<u>4,476,421</u>		<u>3,460,879</u>
<b>CURRENT ASSETS</b>					
Debtors	7	1,623,011		1,383,122	
Cash at bank		<u>199,285</u>		<u>159,245</u>	
		1,822,296		1,542,367	
<b>CREDITORS</b>					
Amounts falling due within one year	8	<u>13,605,560</u>		<u>2,013,512</u>	
<b>NET CURRENT LIABILITIES</b>			(11,783,264)		(471,145)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(7,306,843)</u>		<u>2,989,734</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	9		925,202		4,949,872
<b>NET LIABILITIES</b>			<u>(8,232,045)</u>		<u>(1,960,138)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		348		343
Share premium			12,637,821		12,637,821
Convertible loan			-		139,020
Non-distributable reserves			239,083		239,083
Retained earnings			<u>(21,109,297)</u>		<u>(14,976,405)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>(8,232,045)</u>		<u>(1,960,138)</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the period ended 31 December 2019.

The members have not required the company to obtain an audit of its financial statements for the period ended 31 December 2019 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

**Balance Sheet - continued**  
**31 December 2019**

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

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 1 October 2020 and were signed on its behalf by:

R J Goscomb - Director

**Notes to the Financial Statements  
for the Period 1 April 2019 to 31 December 2019**

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**1. STATUTORY INFORMATION**

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

The presentation currency of the financial statements is the Pound Sterling (£).

The functional currency of the financial statements is the Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest £.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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

The financial statements have been prepared with application of the FRS 102 Triennial Review 2017 amendments in full.

**Preparation of consolidated financial statements**

The financial statements contain information about digi.me Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

**Turnover**

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

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and trademarks are being amortised evenly over their estimated useful life of five years.

Development costs are being amortised evenly over their estimated useful life of five years.

**Capitalisation of development costs**

The Directors believe it is reasonable for Development costs to be recognised as an intangible asset as:

- a) They believe it is technically feasible to complete the software so that it will be available for use or sale, demonstrated by the fact that early versions are already in use;
- b) The company intends to complete the software and promote its use;
- c) The ability exists to use the software;
- d) The software is intended to generate probable future economic benefits for the Company;
- e) The Company has adequate technical, financial and other resources to complete the development through a series of phased releases in order for the software to be used; and
- f) The Company is able to measure reliably expenditure attributable to the software during its development.

**Tangible fixed assets**

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

Fixtures and fittings	- Straight line over 5 years
Computer equipment	- Straight line over 3 years

2. **ACCOUNTING POLICIES - continued**

**Investments in subsidiaries**

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit or loss.

**Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating-unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

**Basic financial assets:**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**Classification of financial liabilities:**

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.

**Basic financial liabilities:**

Basic financial liabilities, including trade and other creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instruments are measured at the present value of the future payments discounted at a market rate of interest.

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

Other financial liabilities:

Convertible loans are not basic financial instruments. Convertible loans are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each reporting period end. Changes in the fair value are recognised in profit or loss.

2. **ACCOUNTING POLICIES - continued**

**Taxation**

The tax expense represents the sum of the current tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on the taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

**Deferred tax**

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

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

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

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Pensions**

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

**Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**Going concern**

In preparing the accounts on the going concern basis, the directors have considered the company's results for the period.

The company incurred a loss of £6,271,912 for the period ended 31 December 2019 and is reliant on further funding to continue to develop its proprietary technology and business opportunities, until such time that the company is generating material revenues.

The directors, after considering cash flow requirements for the 12 month period from the date of approval of these financial statements, and with the further funding expected to be obtained, are confident the company will be able to pay

its liabilities as they fall due. Consequently, the directors have concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements.

**Notes to the Financial Statements - continued  
for the Period 1 April 2019 to 31 December 2019**

**2. ACCOUNTING POLICIES - continued**

**Convertible loan notes**

Until a variation was made to the convertible loan agreements during this period, the liability and equity components were based on their relative fair values at the date of issue. The portion relating to the equity component was charged directly against equity. The liability component was then subsequently measured at amortised cost. The difference between the liability recognised and the principal payable at maturity was recognised as an interest expense over the expected life of the instrument using the effective interest method.

Following the variation the convertible loans are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each reporting period end. Changes in the fair value are recognised in profit or loss. Interest is charged at the applicable rate to profit and loss.

**Share based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

**3. EMPLOYEES AND DIRECTORS**

The average number of employees during the period was 33 (2019 - 35) .

**4. INTANGIBLE FIXED ASSETS**

	Patents and trademarks £	Development costs £	Totals £
<b>COST</b>			
At 1 April 2019	117,774	5,010,497	5,128,271
Additions	<u>15,046</u>	<u>1,627,524</u>	<u>1,642,570</u>
At 31 December 2019	<u>132,820</u>	<u>6,638,021</u>	<u>6,770,841</u>
<b>AMORTISATION</b>			
At 1 April 2019	60,858	2,510,497	2,571,355
Amortisation for period	<u>17,218</u>	<u>577,832</u>	<u>595,050</u>
At 31 December 2019	<u>78,076</u>	<u>3,088,329</u>	<u>3,166,405</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>54,744</u>	<u>3,549,692</u>	<u>3,604,436</u>
At 31 March 2019	<u>56,916</u>	<u>2,500,000</u>	<u>2,556,916</u>

**Notes to the Financial Statements - continued  
for the Period 1 April 2019 to 31 December 2019**

**4. INTANGIBLE FIXED ASSETS - continued**

Development costs - an impairment loss was recognised during the year ended 31 March 2019 in the sum of £1,589,582.

The revised carrying value of the development intangibles reflected estimated future cash flows and took into account adjustments for a) previous SocialSafe product development costs as this product is now obsolete, b) impairment due to development costs incurred that did not contribute towards the future product and c) an amendment to the basis of accounting for overhead costs from the company's Sarajevo operation.

**5. TANGIBLE FIXED ASSETS**

	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 April 2019	14,189	106,750	120,939
Additions	-	6,252	6,252
Disposals	-	(2,136)	(2,136)
At 31 December 2019	<u>14,189</u>	<u>110,866</u>	<u>125,055</u>
<b>DEPRECIATION</b>			
At 1 April 2019	6,934	74,307	81,241
Charge for period	2,129	16,960	19,089
Eliminated on disposal	-	(733)	(733)
At 31 December 2019	<u>9,063</u>	<u>90,534</u>	<u>99,597</u>
<b>NET BOOK VALUE</b>			
At 31 December 2019	<u>5,126</u>	<u>20,332</u>	<u>25,458</u>
At 31 March 2019	<u>7,255</u>	<u>32,443</u>	<u>39,698</u>

**6. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 April 2019	864,265
Additions	55,001
Disposals	(75,000)
Exchange differences	2,261
At 31 December 2019	<u>846,527</u>
<b>NET BOOK VALUE</b>	
At 31 December 2019	<u>846,527</u>
At 31 March 2019	<u>864,265</u>

**6. FIXED ASSET INVESTMENTS - continued**

Fixed asset investments comprise equity shares in digi.me Doo, Dattaca Labs Iceland ehf, digi.me Holdings Inc, Social Safe Ltd and digi.me B.V., none of which are publicly traded. At the Balance Sheet date the company's investments included the following:

digi.me Doo

100% of the equity share capital of digi.me Doo, a company registered in Bosnia (31 March 2019 100%).

Dattaca Labs Iceland ehf

The equity share capital of Dattaca Labs Iceland ehf, a company registered in Iceland was sold in August 2019 for its carrying value of £75,000 (31 March 2019 66.67%).

digi.me Holdings Inc

100% of the equity share capital of digi.me Holdings Inc, a company registered in the US (31 March 2019 100%).

Social Safe Ltd

100% of the equity share capital of Social Safe Ltd, a dormant company registered in the UK (31 March 2019 100%).

digi.me B.V.

100% of the equity share capital of digi.me B.V., a dormant company registered in the Netherlands (31 March 2019 0%).

Investment in digi.me US Holdings Inc - an impairment loss was recognised during the year ended 31 March 2019 in the sum of £1,828,757. Due to funding restraints, the company has not been able to capitalise fully on the technology gained as part of this acquisition. Additionally, because of lack of progress, the existing Teamdata product has become obsolete since the acquisition and the company has now been forced to switch off the platform altogether, depriving the company of a future revenue stream. There is though still some value in the acquired technology, which is reflected in the revised carrying value.

**7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31/12/19	31/3/19
	£	£
Trade debtors	15,625	8,333
Amounts owed by group undertakings	966,533	755,650
Other debtors	-	21,238
Tax	496,706	454,974
VAT	27,746	50,550
Accrued income	54,956	13,721
Prepayments	61,445	78,656
	<u>1,623,011</u>	<u>1,383,122</u>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31/12/19	31/3/19
	£	£
Related party loans	1,230,000	1,055,000
Trade creditors	99,314	179,629
Amounts owed to group undertakings	-	31,735
Social security and other taxes	68,725	63,894
Other creditors	4,101	1,305
iBundle Limited	250,000	250,000
Net wages	-	24,780
Pension creditor	31,503	29,884
Convertible loans	11,823,207	-
Accrued expenses	98,710	377,285
	<u>13,605,560</u>	<u>2,013,512</u>

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Related party loans

At the period end, related party loans include an amount of £300,000 (March 2019: £nil) that is secured over the R&D tax credit claim for the company and £930,000 (March 2019: £1,055,000) that is unsecured. Related party loans are due for repayment within one year and interest is accrued at either 10%, 15%, 20% or 40% per annum. In the year to 31 March 2019, a related party loan of £25,000 accrued nil interest.

Convertible loans

At the period end, the company had issued convertible loan notes totalling £7,333,045 (March 2019: £4,111,290). The first issue of loan notes was made during 2018 and was for £1,000,000 over a term of three years. These loan notes incurred no interest and were repayable in full if the loans had not been converted into shares by the end of the term. The loan was convertible into 728 Ordinary shares at any time at the discretion of the loan note holder. This first convertible loan issue was a compound instrument and had both a liability and equity element. During the year, the terms of these loan notes were amended, as described below. At the time of the amendment the equity element was £139,020 (March 2019: £139,020) and the liability component was £909,248 (March 2019: £909,248), with notional interest of £nil (March 2019: £48,268) being unwound during this period until the amendment date.

The second issue of convertible loan notes was made during the prior year and was for £3,111,282 over a term of three years. During the period, £20,000 of these loan notes were repaid (March 2019: £nil). These loan notes incurred interest at 10% per annum and were repayable at the end of the term if the loan note holder requested it. The loan notes were to convert if there was a fund raising event or change of control event. If the loan note holder were not to request repayment, the loan notes would be converted into Ordinary shares, the number of which would be dependent on the share price achieved in the fund raising or change of control event. These convertible loan notes constituted a financial liability and so were entirely classed as a liability. During the year, the terms of these loan notes were amended, as described below.

During the period, deeds of variation were issued to change and align the terms of both issues of convertible loan notes described above. The changes amended the maturity to be the earlier of 16 April 2020 or the raising of £5m of funding or a change of control event. On the maturity date, the note holders could request repayment or the loans would automatically convert into Ordinary shares, the number of which would be dependent on the share price achieved in the fund raising or change of control event. On conversion, any interest accrued would be waived. As of 16 April 2019, the loan notes incur interest at 100% per annum. The amendments have resulted in the first loan note issue being reclassified from a compound instrument to being a wholly financial liability and a transfer out of equity has been made to reflect this.

Also during the period there were a further two rounds of convertible loan notes issued, totalling £3,242,763. These loan notes mature in one year or the earlier of 16 April 2020, the raising of £5m of funding or a change of control event. On the maturity date, the note holders can request repayment or the loans plus the accrued interest will automatically convert in to Ordinary shares, the number of which would be dependent on the share price achieved in the fund raising or change of control event. The loan notes incur interest at 100% per annum.

All convertible loan notes constitute a financial liability and are classed as a liability. Interest of £4,107,453 has been incurred on loan notes as financial liabilities during the period (March 2019: £137,640).

9. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31/12/19	31/3/19
	£	£
Convertible loans	-	4,024,670
Other creditors	<u>925,202</u>	<u>925,202</u>
	<u><u>925,202</u></u>	<u><u>4,949,872</u></u>

10. **LEASING AGREEMENTS**

Minimum lease payments under operating leases fall due as follows:

	31/12/19 (£)	31/3/19 (£)
Within one year	22,667	32,000
Between one and five years	<u>0</u>	<u>16,667</u>
	<u><u>22,667</u></u>	<u><u>46,667</u></u>

A break clause exists in the operating lease agreement enabling the company to terminate the lease at any time on payment of £5k.

**Notes to the Financial Statements - continued  
for the Period 1 April 2019 to 31 December 2019**

**11. FINANCIAL INSTRUMENTS**

The carrying amount of each category of the company's financial instruments held at fair value through profit or loss at 31 December were:

	31/12/19 (£)	31/03/19 (£)
Financial liabilities measured at fair value through profit or loss:		
Convertible loans	7,333,045	0

	31/12/19 (£)	31/03/19 (£)
The profit or loss impact of the financial liabilities at fair value is:		
Interest charged on convertible loans	4,107,453	0
Fair value loss on change of convertible loan terms	85,610	0

Further details on the convertible loan terms and changes in the period are provided in note 9. The fair values of the convertible loan notes are determined by reference to the cash received for the loan notes, which is at market rate, plus the interest accrued at the applicable rates since that date.

**12. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	31/12/19 (£)	31/03/19 (£)
32,810	Ordinary £0.01	1p	328	328
1,999	B Ordinary £0.01	1p	<u>20</u>	<u>15</u>
			<u>348</u>	<u>343</u>

During the period, the company issued 516 Ordinary B shares at par for the sum of £5.16 under the company's EMI share option scheme.

**Ordinary share rights**

The company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

**Ordinary B share rights**

The company's Ordinary B shares carry no right to vote at the general meetings of the company. The Ordinary B shares feature a clause whereby they will rank pari passu with Ordinary shares should a sale price for the company of £42m or more be achieved. Restructuring during the first quarter of 2020 will result during 2020 in the issue of 1 Ordinary share for each 4 B shares held. B shares will become deferred shares.

**Share option scheme**

At the period end, a total of 1,148 (March 2019: 1,777) Ordinary B shares with a nominal value of £0.01 were reserved for issue under the company's EMI share option plan (see note 16). At the period end, a total of 963 (March 2019: 963)

Ordinary shares and 156 (March 2019: 156) Ordinary B shares with a nominal value of £0.01 were reserved for issue under the company's phantom share option plan (see note 16). No further B shares will be issued under the EMI scheme and one Ordinary share option will be issued for each 4 B share options held.

**13. RELATED PARTY DISCLOSURES**

At the Balance Sheet date an interest free loan of £250,000 (March 2019: £250,000) existed within creditors in respect of iBundle Ltd, a company which is controlled by a director who is a member of the key management personnel of the reporting entity. The loan is repayable on demand.

During the 9 month period, the company issued £1.208M of convertible loan notes to a number of existing shareholders of the company, in accordance with note 10.

**14. POST BALANCE SHEET EVENTS**

**Convertible Loan Notes**

Following the period end, in March 2020, the company issued £1.47m of convertible loan notes that are senior to all other convertible loan notes previously issued. There is no interest on these loan notes and they have no maturity date. They will convert to Ordinary shares on any future funding event raising more than £5m and at a 50% discount to that funding round price. The note holders also receive a 10 year Ordinary share warrant, exercisable for £1, for each £25 of convertible loan note principal subscribed.

In June 2020, the company entered into a £1.43m future fund convertible loan agreement. Half of this amount was received from the British Business Bank's Future Fund as part of its 'matched funding' scheme. Loans attract interest at 8% and mature on the earlier of June 2023 or on a future funding event raising more than £1.43m at a discount of 20% to that funding round price. Should these loan notes be repaid, there is a 200% repayment premium. This loan note issue was subsequently amended to feature a requirement to convert on a future funding event raising more than £1.43m at a discount of 50% to that funding round price. Lenders also receive a 10 year Ordinary share warrant, exercisable for £1, for each £25 of convertible loan principal subscribed.

In March 2020, all convertible loan notes that were in issue at the period end were amended. The notes, totalling £7.33M, are to become subordinate to the senior loan notes described above, will forfeit all accrued interest and have a nil interest rate going forward, will have their maturity dates removed. Additionally, the note holders will receive a 10 year Ordinary share warrant, exercisable for £1, for each £200 of convertible loan note principal held.

**Other Borrowings**

Following the period end, the secured related party loan of £300,000 and the related accrued interest, were converted into a convertible loan note. A further £370K of unsecured related party loans were also converted into convertible loan notes.

Following the year end, there was a share restructure that will result in the issue of 1 Ordinary share for each 4 B shares held. B shares will then be re-designated as deferred shares. In the case of the share option schemes, this will result in the issue of 1 Ordinary share option for each 4 B share options held.

**R&D Claims**

The company will shortly commence the process of submitting an R&D claim in respect of the period ended 31 December 2019. It is expected that this claim will result in a repayable tax credit. At the date of signing the accounts this amount was not quantifiable.

15. **SHARE-BASED PAYMENT TRANSACTIONS****EMI share scheme**

In 2018, the company established an HMRC approved share scheme for the benefit of its employees. Under the scheme, share options are granted at the approved market value for B shares in the company at the grant date. The share options vest on the first anniversary of the grant. The options are exercisable upon one of the following - an exit event or, at the discretion of the board, after the second anniversary from grant. The exercise price is £0.01 and £0.01 will be returned to the option holder on sale of the related share unless the company achieves as a sale price of £42m or more. In this case, the Ordinary B shares will rank pari passu with the Ordinary shares and will be entitled to an equal share of the sale price. The options are forfeited if the employee leaves the company before they become entitled to exercise the share options.

The number of share options outstanding under the EMI share scheme at the balance sheet date are:

	No. of share options		Weighted average exercise price	
	12/2019 No.	3/2019 No.	12/2019 £	3/2019 £
Outstanding at 1 April	1,777	1,810	0.01	0.01
Granted	0	0	0	0
Forfeited	(113)	(33)	0.01	0.01
Exercised	(516)	0	0	0
Outstanding at 31 December	<u>1,148</u>	<u>1,777</u>	<u>0.01</u>	<u>0.01</u>
Vested at 31 December - Ordinary B shares	<u>1,148</u>	<u>1,777</u>	<u>0.01</u>	<u>0.01</u>

The fair value of the equity element of this equity-settled share option scheme is £Nil (3/2019: £Nil), determined by using the Black-Scholes model. Restructuring during the first quarter of 2020 will result during 2020 in the issue of 1 Ordinary share option for each 4 B share options held. B shares will become deferred shares.

**Phantom share scheme**

The phantom share scheme was established in 2018 as part of a group acquisition made by a subsidiary undertaking for the benefit of the management and employees of the company's subsidiaries. Under the scheme, 963 and 156 share options were granted over the company's Ordinary shares and Ordinary B shares, respectively. All phantom shares have now vested.

The options are exercisable upon one of the following - a sale of the company or on a substantial change in control of the company. The exercise price is £Nil and the relevant portion of the sale price will be returned to the option holder in the case of an exercise event. In this case, the Ordinary B shares will return £0.01 unless a sale price of £42m or more is achieved, in such case they will then rank pari passu with the Ordinary shares and will be entitled to an equal share of the sale price. The options are forfeited if the employee leaves the company before the share options vest. The share options expire on the fifth anniversary of the grant date.

Restructuring during the first quarter of 2020 will result during 2020 in the issue of 1 Ordinary share option for each 4 B share options held.

The number of share options outstanding under the phantom share scheme at the balance sheet date are:

No. of share options	Weighted average exercise price
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	12/2019 No.	3/2019 No.	12/2019 £	3/2019 £
Outstanding at 1 April	1,119	1,119	0.01	0.01
Granted - Ordinary shares	0	0	0.01	0.01
Granted - Ordinary B shares	<u>0</u>	<u>0</u>	<u>0.01</u>	<u>0.01</u>
Exercised	<u>0</u>	<u>0</u>	<u>0.01</u>	<u>0.01</u>
Outstanding at 31 December	<u>1,119</u>	<u>1,119</u>	<u>0.01</u>	<u>0.01</u>
Vested at 31 March - Ordinary shares	963	963	0.01	0.01
Vested at 31 March - Ordinary B shares	156	156	0.01	0.01
Exercised	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**Notes to the Financial Statements - continued  
for the Period 1 April 2019 to 31 December 2019**

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Outstanding at 31 December	<u>1,119</u>	<u>1,119</u>	<u>0.01</u>	<u>0.01</u>
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The fair value of the liability element of this cash-settled share option scheme is £925,202 (March 2019: £925,202), determined by using the Black-Scholes model. The company recognised an expense of £nil (March 2019: £24,598), which increased its investment in its subsidiary undertakings.