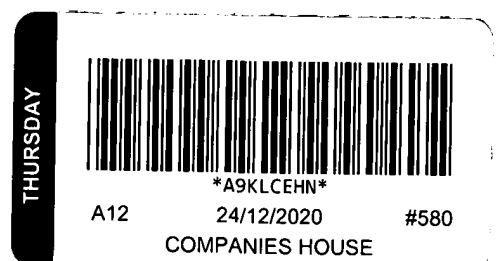


Registered number: 08720992

MONESE LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



MONESE LIMITED

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MONESE LIMITED
COMPANY INFORMATION

Directors	N Koppel F Danesi L Le Moal P Aylieff
Registered number	08720992
Registered office	1 King Street London EC2V 8AU
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

MONESE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their strategic report for Monese Ltd (“Monese”) for the year ended 31 December 2019.

Principal activity

The principal activity of Monese is to provide affordable retail financial products and services to customers in a number of countries through its own financial services platform and through its network of partners. In particular, Monese is focused on providing its customers with current account and various related payment services, including multi currency current accounts, debit cards, a cash deposit network and other international payment services, such as foreign exchange and remittance services.

Business review and future developments

Monese launched its first mobile banking services in late 2015, initially in the UK and later across a range of European markets. Monese is now available to customers in 31 countries with a significant proportion of its customers using the service as their primary banking account, receiving their salary and making payments and everyday purchases on their account or on a Monese debit card.

During 2019, Monese continued to invest in technology and further develop its product and service offering. The company's headcount by 31 December 2019 was 397 employees (2018: 131), including a number of new senior hires to support the company's growth. Additional financing was secured from existing investors to fund the acceleration of growth and new market expansion.

The company's revenue for the year ending December 31 2019 was £10.1m (2018: £5.5m), growing primarily as a result of growth in its active customer numbers. The loss on ordinary activities after taxation increased to £37.5m in the year (2018: loss of £12.5m), principally as a result of increased investment in growth initiatives including marketing, particularly those supporting customer growth, platform investments and the increase in operations and other headcount required to support the company's anticipated future growth.

While additional losses are anticipated as the business continues to grow, the directors believe that the company will continue to be able to access funding to support these anticipated future losses and growth investments on account of the company's business performance to date and its prospects. In the financial year ended 31 December 2019, the company raised £19.1m of new funding through the issue of convertible loan notes and had cash in hand of £5.2m at the year end.

Additional funding was raised in the period from January to July 2020 (see post balance sheet events section below) and discussions are currently underway with investors to raise substantial additional funds by way of a Series C equity funding round being planned for 2021. This is explained further in Note 2.3 to the financial statements.

On 11 March 2020, Covid-19 was formally declared a pandemic. The impact of this across the industry as a whole is wide ranging and the financial effect on the company is difficult to predict with certainty. The restrictions placed by governments on consumers have impacted their habits and spending behaviours, and mitigation actions taken by the company in response to the pandemic have additionally resulted in a lower growth rate of customer acquisition for the year compared to the pre-Covid-19 period. The directors continue to closely monitor cash flows, and have implemented mitigating actions where appropriate, including tight control of costs. Experience to date has seen higher customer retention rates than forecast, with the attrition of less active customers, resulting in revenue running slightly ahead of re-forecasts for the year.

The company also completed a significant restructuring of its business in July 2020 to focus the business on core markets and building out existing product lines, resulting in a reduction in headcount- and non-headcount costs, and a commensurate reduction in consolidated monthly costs and losses.

Monese has signed an agreement with a major card scheme provider to become a card issuer, which includes certain financial contributions based on a range of criteria.

MONESE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial key performance indicators

The directors monitor customer acquisition, retention and activity numbers, as well as revenue, costs, earnings, cash burn rates and the remaining available funding runway, as the key performance indicators of the company. While the company incurred a loss in the financial period, this was as anticipated and in line with the company's business plan.

The directors also monitor the net asset position of the company. The net liability position of the company as at 31 December 2019 was £17.4m, compared with a net asset position of £18.1m at 31 December 2018, the difference being attributed to the losses incurred in 2019 reflecting the continued investment in growth initiatives. As mentioned in the business review section, the company continues to secure additional funding and working capital to support the business.

Other key performance indicators

The directors are committed to promoting the health, safety and welfare of staff members and ensure appropriate measures are undertaken in this regard.

The directors are mindful of environmental issues and have sought to minimise the impact of the company's activities on the environment.

Principal risks and uncertainties

The company's principal risks relate to the volume and nature of its customers' transaction activity, the resilience of the company's platform and those of its partners, the regulatory environment in which the company operates, and funding.

Since March 2020, the ongoing Covid-19 pandemic has presented a number of additional operational and financial risks to the company, including the impact on consumer acquisition and spending habits, and on the funding markets generally. The potential duration and long-term impact of these changes on the business is at present uncertain. As such, the directors are monitoring developments as they occur and have proactively implemented mitigating actions with the aim to lowering costs and improving liquidity, at least until the long-term implications of the Covid-19 pandemic become clearer.

The directors remain confident in the company's long-term strategy, despite uncertainties presented by the recent escalation of the Covid-19 pandemic and resulting economic disruption. The company's principal concern is the safety and wellbeing of its customers, employees, and while there is expected to be a short term adverse financial impact from restricted consumer travel and spending habits, the directors have taken steps to contain costs and better protect liquidity of the company. The current focus is therefore on achieving a higher mix of organic growth while continuing to invest in new product and market initiatives to drive the future growth and profitability of the business.

In relation to operating risks and customer transaction activity, the company's revenue is dependent on customers remaining active users of their Monese accounts to make regular payments and card transactions. The company builds and promotes products and services that provide functionality to facilitate such activity to support its customers and to mitigate the risk that active customer numbers or average transaction volumes fall to a non-viable level.

As a financial services provider, Monese is subject to the risk of criminal activity and money laundering. In order to mitigate such risks, the company has developed robust 'know your customer' and anti money laundering policies and procedures and has invested to minimise these risks from its inception as a company.

In relation to platform resilience, the company faces risks associated with potential system interruptions arising on its own platform or of those of its key partners. The company's operations have a high dependency on a number of third-party partners, whose own platform resilience is critical for the continuity of a number of the company's core operations. The company employs specialists to monitor and deploy processes and procedures to help mitigate such risks, as well as mitigate the potential risk of a data- or cyber-related security breach that

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

could adversely impact the ability of the company to conduct its operations:

The company conducts activities in regulated financial service markets and is therefore subject to the risk of regulatory changes potentially affecting the conduct of its operations in multiple jurisdictions. The company's risk and compliance functions conduct regular horizon scanning activities to try to anticipate such changes to ensure that the business is fully compliant with all rules and regulations.

Given its stage of evolution, the company is reliant on access to sufficient amounts of new funding to finance its current operations and growth plans. The company faces the risk that should such funding not be available, the ability of the company to conduct its operations in their current form will be adversely and potentially severely affected. Management believes the company will continue to be successful in obtaining the capital required to meet its future funding needs, as well as providing sufficient liquidity to fund operations for at least twelve months from the date of approval of these financial statements.

As the going concern status of the company is dependent upon securing funds and upon the performance of the business against forecasts and cash flow projections, the directors are of the opinion that the matters described above represent material uncertainties, as actual outcomes may differ to expectations.

Notwithstanding these material uncertainties, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Post balance sheet events

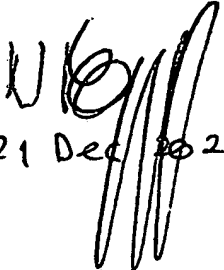
The company has raised further funding post year end, comprising additional convertible, venture debt and common equity, totalling £26.4m in aggregate. See Note 27 to the financial statements for further details.

There have been no other significant events affecting the company since the year end.

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

N Koppel
Director

Date:



21 Dec 2020

MONESE LIMITED
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.

Results and dividends

The loss for the year, after taxation, amounted to £37,510,282 (2018 - loss £12,502,270).

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who served during the year were:

N Koppel
M Exall (resigned 10 September 2019)
S Ivanov (resigned 28 July 2020)
F Danesi
L Le Moal

Subsequent to the year-end, on 28 July 2020, P Aylleff was appointed as a director to the company.

Research and development activities

During the year, the company spent £2,698,122 on research and development activities (2018: £2,196,516).

Matters covered in the strategic report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

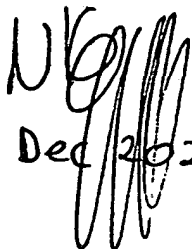
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

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

N Koppel
Director

Date: 21 Dec 2020



MONESE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments 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 to 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.

MONESE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONESE LIMITED FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Monese Limited (the 'company') for the year ended 31 December 2019, which comprise the profit and loss account, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that there may be conditions identified that may cast significant doubt on the company's ability to continue as a going concern. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

MONESE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONESE LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

MONESE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONESE LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

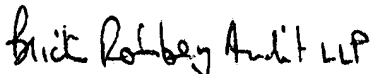
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 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 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 for our audit work, for this report, or for the opinions we have formed.

Blick Rothenberg Audit LLP

Simon Mayston (senior statutory auditor)

for and on behalf of
Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 22 December 2020

MONESE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	10,272,908	5,484,866
Cost of sales		(14,018,141)	(6,647,706)
Gross loss		(3,745,233)	(1,162,840)
Administrative expenses		(34,368,094)	(12,093,009)
Other operating income	5	44,638	598,251
Operating loss	6	(38,068,689)	(12,657,598)
Interest receivable and similar income	9	14,738	38
Interest payable and similar expenses	10	(6,717)	(5,540)
Loss before tax		(38,060,668)	(12,663,100)
Tax on loss	11	550,386	160,830
Loss for the financial year		(37,510,282)	(12,502,270)

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.

MONESE LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
Fixed assets			
Intangible assets		42,126	25,600
Tangible assets	13	873,385	795,762
Investments	14	1	-
		<u>915,512</u>	<u>821,362</u>
Current assets			
Stocks		792,586	-
Debtors: amounts falling due after more than one year	16	73,521	194,252
Debtors: amounts falling due within one year	16	2,390,763	918,516
Cash at bank and in hand	17	5,239,186	19,046,820
		<u>8,496,056</u>	<u>20,159,588</u>
Creditors: amounts falling due within one year	18	(7,619,237)	(2,880,032)
Net current assets		<u>876,819</u>	<u>17,279,556</u>
Total assets less current liabilities		<u>1,792,331</u>	<u>18,100,918</u>
Creditors: amounts falling due after more than one year	19	(19,190,741)	-
Net (liabilities)/assets		<u><u>(17,398,410)</u></u>	<u><u>18,100,918</u></u>

MONESE LIMITED
BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	21	945	913
Share premium account	22	42,246,264	40,246,273
Share based payment reserve	22	83,105	72,174
Other reserves	22	1,475,863	1,475,863
Profit and loss account	22	(61,204,587)	(23,694,305)
Total shareholders' (deficit)/equity		(17,398,410)	18,100,918

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

N Koppel
 Director

Date: 21 Dec 2020

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

	Called up share capital	Share premium account	Share based payments reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	555	10,079,198	21,235	1,475,863	(11,192,035)	384,816
Comprehensive income for the year						
Loss for the year	-	-	-	-	(12,502,270)	(12,502,270)
Share based payments charge	-	-	50,939	-	-	50,939
Total comprehensive income for the year	-	-	50,939	-	(12,502,270)	(12,451,331)
Shares issued during the year	358	31,991,665	-	-	-	31,992,023
Share issue costs	-	(1,824,590)	-	-	-	(1,824,590)
Total transactions with owners	358	30,167,075	-	-	-	30,167,433
At 1 January 2019	913	40,246,273	72,174	1,475,863	(23,694,305)	18,100,918
Comprehensive income for the year						
Loss for the year	-	-	-	-	(37,510,282)	(37,510,282)
Share based payments charge	-	-	10,931	-	-	10,931
Total comprehensive income for the year	-	-	10,931	-	(37,510,282)	(37,499,351)
Shares issued during the year	32	1,999,991	-	-	-	2,000,023
Total transactions with owners	32	1,999,991	-	-	-	2,000,023
At 31 December 2019	945	42,246,264	83,105	1,475,863	(61,204,587)	(17,398,410)

The notes on pages 16 to 37 form part of these financial statements.

MONESE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(37,510,282)	(12,502,270)
Adjustments for:		
Amortisation of intangible assets	27,243	29,515
Depreciation of tangible assets	445,092	115,297
Profit on disposal of tangible assets	(1,099)	-
Interest paid	6,717	5,540
Interest received	(170,137)	(38)
Taxation charge	(550,386)	(160,830)
Increase in stocks	(792,586)	-
Increase in debtors	(1,370,376)	(367,252)
Increase in creditors	4,739,205	1,212,432
Corporation tax received	569,246	-
Share-based payments charge	10,931	50,939
Net cash used in operating activities	(34,596,432)	(11,616,667)
Cash flows from investing activities		
Purchase of intangible fixed assets	(43,769)	(38,400)
Purchase of tangible fixed assets	(538,631)	(808,286)
Sale of tangible fixed assets	17,015	-
Purchase of fixed asset investments	(1)	-
Interest received	170,137	38
Net cash from investing activities	(395,249)	(846,648)

MONESE LIMITED**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£	£
Cash flows from financing activities		
Issue of ordinary shares	2,000,023	23,176,048
Issue of loan notes	19,190,741	6,991,385
Interest paid	(6,717)	(5,540)
	<hr/>	<hr/>
Net cash generated by financing activities	21,184,047	30,161,893
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(13,807,634)	17,698,578
Cash and cash equivalents at beginning of year	19,046,820	1,348,242
	<hr/>	<hr/>
Cash and cash equivalents at the end of year	5,239,186	19,046,820
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,239,186	19,046,820
	<hr/>	<hr/>
	5,239,186	19,046,820
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 37 form part of these financial statements.

MONESE LIMITED

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

1. General information

The principal activity of the company is that of an Electronic Money Directive ("EMD") agent, which comprises the provision of current accounts, with debit cards and payment services.

The company is a private company limited by shares and is incorporated and registered in England. The address of its registered office and its principal place of business is 50 Finsbury Square, London, EC2A 1HD.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Consolidation

The company holds a 100% stake in a dormant subsidiary and is exempt from the requirement to prepare group accounts by virtue of sections 402 and sections 405(2) of the Companies Act 2006 as this dormant subsidiary is not material for the purpose of giving a true and fair view. These financial statements therefore present information about the company as an individual undertaking and not about its group.

MONESE LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The company has incurred a loss for the year of £37.5m (2018 loss: £12.5m) and is forecast to continue incurring losses, in line with its business plan.

The company successfully raised £19.1m of funding during the year through the issue of loan notes, and at 31 December 2019 had net liabilities of £17.4m and cash in hand of £5.2m at the year end. To finance the planned growth of the company, and in line with the company's business plan, further additional funds will need to be raised. Subsequent to the year end, the company has raised further funding post year end, comprising warrants, additional convertible, venture debt and common equity, totalling £26.4m in aggregate.

Management believes the company will continue to be successful in obtaining the capital required to meet its future obligations, which will provide sufficient cash flows for operations through at least twelve months from the date of approval of these financial statements. Discussions are in progress with investors to raise substantial additional funds, including a Series C equity funding round planned for 2021.

The directors are also monitoring developments regarding the escalation of the Covid 19 pandemic. A re-forecast of the budgets has been performed, to reflect expected impacts that may arise. After assessing the potential risk from both direct and indirect factors, and implementing mitigating actions, the on-going impact to the company is not considered significant at present. However, to protect the company's financial position and liquidity, the directors have taken steps to reduce costs and to focus more heavily on organic growth and will to the extent necessary initiate additional cost cutting measures to ensure continued operations.

As the status of the company as a going concern is dependent upon securing future additional funding and upon the continued performance of the business against budgets, forecasts and cash flow projections, the directors are of the opinion that the matters described above represent material uncertainties, as actual outcomes may differ to expectations.

Notwithstanding these material uncertainties, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue comprises fees receivable on accounts, transactions fees and gift card revenue.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract; and
- the costs incurred and the costs to complete the contract can be measured reliably.

MONESE LIMITED

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

2. Accounting policies (continued)

2.5 Grants received

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account, within 'other operating income', at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account, within 'other operating income', in the same period as the related expenditure.

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life which is taken as three years.

Other intangibles

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	3	years
Computer software	-	2	years

2.7 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

MONESE LIMITED

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

2. Accounting policies (continued)

2.7 Tangible fixed assets (continued)

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.

The estimated useful lives range as follows:

Leasehold improvements	- 2-5 years
Fixtures and fittings	- 4 years
Computer equipment	- 3 years

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.

2.8 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.

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, 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.

MONESE LIMITED

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

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

MONESE LIMITED

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

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Cash and cash equivalents

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

2.12 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.

Foreign currency items with respect to overseas branches are translated at an average rate for the year calculated on a monthly basis. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

2.13 Finance costs

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.

2.14 Operating leases

Rentals income/paid from operating leases is credited/charged to the profit and loss account on a straight line basis over the term of the relevant lease.

Benefits received (lease incentives) are spread over the lease.

MONESE LIMITED

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

2. Accounting policies (continued)

2.15 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.

2.16 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.17 Interest income

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

2.18 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.

MONESE LIMITED

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

2. Accounting policies (continued)

2.19 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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

MONESE LIMITED

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

2. Accounting policies (continued)

2.21 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period with a corresponding credit recognised in equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgments and key estimates in applying the company's accounting policies. Significant items in the financial statements where these judgments and estimates have been made are:

Share based payments

The cost of employee services received in exchange for awards of equity instruments are recognised based upon the grant date fair value of share options. The grant date fair value of share options are estimated using a Black-Scholes option valuation model. This Black-Scholes option valuation model requires the use of assumptions, including an estimate of the ordinary share value, share price volatility and risk-free interest rate. The valuation of such share options, particularly for unquoted privately owned companies, is inherently judgmental.

Issue of loan notes

The issue of the loan notes in the year has led to a significant accounting judgement in relation to the market rate of interest thereon in conjunction with the conversion scenarios. Management's expectation is that the loan note will convert into a variable number of shares and as such it has been classified as a liability and is measured at amortised cost. Given the nature of the loan notes, the interest free coupon is the management's best estimate of the appropriate interest rate to use.

MONESE LIMITED

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

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Fees receivable	<u>10,272,908</u>	<u>5,484,866</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	8,076,491	4,685,906
Rest of Europe	2,196,417	798,960
	<u>10,272,908</u>	<u>5,484,866</u>

5. Other operating income

	2019 £	2018 £
Grants received	-	598,251
Other income	44,638	-
	<u>44,638</u>	<u>598,251</u>

6. Operating loss

The operating loss is stated after charging/(crediting):

	2019 £	2018 £
Research & development charged as an expense	2,698,122	2,196,516
Exchange differences	50,690	(11,337)
Operating lease rentals	776,720	554,850
Depreciation of tangible fixed assets	445,092	115,297
Amortisation of intangible fixed assets, including goodwill	27,243	29,515
Profit on sale of tangible assets	(1,099)	-
Fees payable to the company's auditor for the audit of the company's annual financial statements	38,035	44,400
Fees payable to the company's auditors for other services:		
- Taxation services	17,504	17,498
Share based payment expense	10,931	50,939
	<u>10,931</u>	<u>50,939</u>

MONESE LIMITED

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

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	12,147,081	4,366,881
Social security costs	2,337,007	957,605
Staff pension costs	173,264	38,995
	<u>14,657,352</u>	<u>5,363,481</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Management	11	8
Administrative staff	296	123
	<u>307</u>	<u>131</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	236,667	240,000
Company contributions to defined contribution pension schemes	7,100	4,200
	<u>243,767</u>	<u>244,200</u>

The highest paid director received remuneration of £150,000 (2018 - £146,781).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,500 (2018 - £2,275).

9. Interest receivable

	2019 £	2018 £
Interest receivable	<u>14,738</u>	<u>38</u>

MONESE LIMITED

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

10. Interest payable and similar expenses

	2019 £	2018 £
Interest payable	<u>6,717</u>	<u>5,540</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Tax credit in respect of current period	(317,000)	-
Tax credit in respect of prior periods	(233,386)	(160,830)
Total current tax	<u>(550,386)</u>	<u>(160,830)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(38,060,668)</u>	<u>(12,663,100)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(7,231,527)	(2,405,989)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	5,176	3,176
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,043	21,290
Capital allowances for year in excess of depreciation	(22,748)	(38,210)
Unrelieved tax losses carried forward	7,235,056	2,419,733
Research and development tax credit	(550,386)	(160,830)
Total tax charge for the year	<u>(550,386)</u>	<u>(160,830)</u>

MONESE LIMITED

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

11. Taxation (continued)

The company has trading losses of £60.7m (2018: £23.2m) available for carry forward against future trading profits.

There is a potential deferred tax asset of approximately £11.5m (2018: £3.9m) which has not been recognised in the financial statements due to the uncertainty concerning the timescale as to its recovery.

It is anticipated that the deferred tax asset will be recovered when the company makes sufficient taxable profits.

Factors that may affect future tax charges

A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

In the Spring Budget 2020 on, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

MONESE LIMITED

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

12. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2019	38,400	150,436	188,836
Additions	43,769	-	43,769
At 31 December 2019	<u>82,169</u>	<u>150,436</u>	<u>232,605</u>
Amortisation			
At 1 January 2019	12,800	150,436	163,236
Charge for the year	27,243	-	27,243
At 31 December 2019	<u>40,043</u>	<u>150,436</u>	<u>190,479</u>
Net book value			
At 31 December 2019	<u>42,126</u>	<u>-</u>	<u>42,126</u>
At 31 December 2018	<u>25,600</u>	<u>-</u>	<u>25,600</u>

MONESE LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****13. Tangible fixed assets**

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2019	479,064	68,094	414,490	961,648
Additions	38,628	7,370	492,633	538,631
Disposals	-	-	(24,277)	(24,277)
At 31 December 2019	517,692	75,464	882,846	1,476,002
Depreciation				
At 1 January 2019	34,900	12,352	118,634	165,886
Charge for the year	216,774	22,193	206,125	445,092
Disposals	-	-	(8,361)	(8,361)
At 31 December 2019	251,674	34,545	316,398	602,617
Net book value				
At 31 December 2019	266,018	40,919	566,448	873,385
At 31 December 2018	444,164	55,742	295,856	795,762

MONESE LIMITED

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

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
Additions	1
At 31 December 2019	<u>1</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Monese Finance Limited	50 Finsbury Square, 5th Floor, London, EC2A 1HD	Dormant company	Ordinary	100%

Monese Finance Limited was incorporated on 23 July 2019 and will prepare its first period statutory accounts to 31 December 2020. Monese Finance Limited was dormant in the period to 31 December 2019.

15. Stocks

	2019 £	2018 £
Stock of cards	<u>792,586</u>	<u>-</u>

MONESE LIMITED

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

16. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	<u>73,521</u>	<u>194,252</u>
	2019 £	2018 £
Due within one year		
Other debtors	621,628	16,543
Prepayments and accrued income	1,452,135	566,113
Tax recoverable	317,000	335,860
	<u>2,390,763</u>	<u>918,516</u>

17. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>5,239,186</u>	<u>19,046,820</u>

18. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	4,545,988	1,528,620
Other taxation and social security	863,146	354,570
Other creditors	201,327	272,726
Accruals and deferred income	2,008,776	724,116
	<u>7,619,237</u>	<u>2,880,032</u>

MONESE LIMITED

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

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Other loans	<u>19,190,741</u>	<u>-</u>

Other loans comprise of loan notes issued to investors. These loan notes include provisions for the conversion to equity under various scenarios. Conversion to equity is automatic and at a discount to market value if a successful future Series C equity fundraising round meets the target threshold. If the fundraising meets a lower threshold, a majority of noteholders may opt to convert their loans to equity at a fixed price. The initial loan term is 2 years from issue date and no interest is payable during the loan term. In the event of a default on the loan terms, interest may be levied at a rate of 8% per annum.

20. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due 1-2 years		
Other loans	19,190,741	-
	<u>19,190,741</u>	<u>-</u>

MONESE LIMITED

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

21. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
10,844,000 (2018 - 9,677,000) Ordinary shares of £0.00001 each	109	97
36,289,000 (2018 - 36,289,000) Series A shares of £0.00001 each	363	363
47,347,000 (2018 - 45,301,000) Series B shares of £0.00001 each	473	453
	<u>945</u>	<u>913</u>

Between June 2019 and December 2019, the company raised £19,190,743 by the issue of loan notes with certain conditions for conversion to equity (refer to Note 19).

The company issued 202,000 ordinary shares on 17 February 2019 and 963,979 ordinary shares on 17 December 2019 of £0.00001 each for cash at par, arising from the exercise of share options. In satisfaction of a warrant, the company issued 2,045,002 series B shares on 16 October 2019 of £0.00001 each for total consideration of £2,000,000.

The ordinary shares, Series A shares and Series B shares rank pari passu in all respects save that on a winding up the order of priority of distribution will be to holders of the Series B shares, followed by holders of the Series A shares, followed by the ordinary shares, equal to the amount subscribed. In the event of a sale of the company or a qualifying Initial Public Offering, the Series A shares and Series B shares shall convert to ordinary shares. In addition, a holder of the Series A shares or Series B shares may request that their shares be converted to ordinary shares of £0.00001.

22. Reserves

Share premium account

Being amounts raised from the issue of ordinary shares less the expenses of the share issue.

Other reserves

Other reserves comprise the equity component of the convertible loan notes measured at fair value, reflecting the capitalisation of convertible loan notes in the prior years.

Profit and loss account

The profit and loss reserve includes all current and prior period retained profits and losses.

MONESE LIMITED

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

23. Analysis of net debt

	At 1 January 2019 £	Cash flows £	Issue of loan notes £	At 31 December 2019 £
Cash at bank and in hand	19,046,820	(13,807,634)	-	5,239,186
Debt due after 1 year	-	-	(19,190,743)	(19,190,743)
	<u>19,046,820</u>	<u>(13,807,634)</u>	<u>(19,190,743)</u>	<u>(13,951,557)</u>

24. Share based payments

Equity-settled share-based payments

The company has a share option scheme for certain employees (including directors). Options are exercisable at 0.001 pence per share. Certain of the options have a vesting period of between 3 and 4 years. There are also options which only vest on a future critical event, such as an initial public offering of the business.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	0.001	11,627,880	1	8,820
Additional options on share split*		-	0.001	8,811,180
Granted during the year	0.001	2,373,983	0.001	3,496,880
Forfeited during the year	0.001	(704,085)	0.001	(135,000)
Exercised during the year	0.001	(1,165,979)	0.001	(554,000)
Outstanding at the end of the year	<u>0.001</u>	<u>12,131,799</u>	<u>0.001</u>	<u>11,627,880</u>

*The company effected a 1,000 for 1 share sub-division on 5 September 2018. Accordingly, comparative period brought forward share options (at 1 January 2018) reflect that share sub-division.

The share based payment charge of £10,931 (2018: £50,939) in the financial statements relates to options which have a non-contingent vesting schedule.

MONESE LIMITED

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

25. Commitments under operating leases

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	456,740	612,178
Later than 1 year and not later than 5 years	203,945	341,423
Later than 5 years	396,469	528,586
	<u>1,057,154</u>	<u>1,482,187</u>

26. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

Transactions with other related parties are as follows:

Relationship	Transaction	Amount		Amount due (to)/from related parties	
		2019 £	2018 £	2019 £	2018 £
Shareholder (>20% equity)	Capital injection	-	12,870,440	-	-
	Share issue costs	-	-	-	(88,000)
	Loan notes issued	13,000,000	-	(13,000,000)	-

Amounts owed to related parties are unsecured, interest free and due for repayment within one year. The terms of the loan notes are described in Note 19.

Key management personnel

Total remuneration paid to key management personnel was £1,060,228 (2018: £666,331).

MONESE LIMITED

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

27. Post balance sheet events

Subsequent to the year end, on 30 January 2020 the company allotted 2,045,002 Series B shares for consideration of £2m on the exercise of warrants issued to certain shareholders as part of the Series B equity fundraising round in 2018.

The company has raised further funding post year end comprising: £8.4m of convertible debt between January and July 2020; venture debt of €5m in April 2020; £10m of convertible debt in June 2020, and £1m of equity in July 2020.

On 11 March 2020, Covid 19 was formally declared a pandemic. The impact of this, and across the industry as a whole, is wide ranging and the financial effect on the company is difficult to predict with any degree to certainty. The travel restrictions placed on consumers has impacted on spending habits, resulting in a decline of revenue derived from facilitating card payments. The directors continue to closely monitor cash flows, and have implemented mitigating actions where appropriate.

The Company has also completed a significant restructuring of the business, subsequent to the year end, in July 2020 to focus the business on product lines, with a reduction in headcount and commensurate cost savings.

There have been no other significant events affecting the company since the year end.

28. Controlling party

In the opinion of the directors, there is no immediate or ultimate controlling party.