

Company Registration No. 09829720 (England and Wales)

PAPILLON HOLDINGS PLC

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2019**

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PAPILLON HOLDINGS PLC COMPANY INFORMATION

Directors	Lord Nicholas Monson - Chairman Anthony Eastman James Longley Charles Tatnall
Company number	09829720
Company Secretary	Cargil Management Services Limited 27-28, Eastcastle Street, London W1W 8DH
Registered Office	27-28 Eastcastle Street, London W1W 8DH
Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Registrar	Share Registrars Ltd Suite E, First Floor, 9 Lion & Lamb Yard Farnham Surrey GU9 7LL
Legal Adviser to the Company	DMH Stallard LLP 6 New Street Square London EC4A 3BF
Brokers	Novum Securities Limited 10 Grosvenor Gardens, Belgravia, London SW1W 0DH

PAPILLON HOLDINGS PLC

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**PAPILLON HOLDINGS PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Chief Executive's Report

Appointment of Directors and new Chairman

On 15 August 2019 the board was pleased to announce that it had appointed Lord Nicholas Monson to the Board of Directors (the 'Board') as Non-Executive Chairman to the Company. Additionally, Papillon is pleased to announce that Mr. Anthony Eastman has been appointed to the Board as a Non-Executive Director.

Lord Monson has 35 years of experience in the City where he has advised financial institutions and quoted companies in different sectors on investor relations. Most recently he has served as a director of AIM-listed Legendary Investments and continues to serve the company under its new name, Eight Peaks Group plc.

Mr. Eastman is a Chartered Accountant (Australian qualified) with a number of years' experience in financial management and corporate advisory services, primarily in the natural resources sector, along with extensive experience in the public company environment, having been a director and company secretary of a number of ASX and AIM junior mining and oil and gas focused companies. He has previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the UK.

On 18 May 2018, we reached agreement via a non-binding head of terms to make an investment in 50% of the issued share capital of a fintech company, Pace Cloud Limited, focussed on the used car market. Pace Cloud has developed innovative technology that bridges the gap between private and retail vehicle sales and delivers consistently high values for the user. It has an aggressive growth strategy, utilising its unique technology to expand its offering to an, as yet, underexploited area of the private car sale market; currently +200,000 private cars are sold and brought every month in the UK. The app has been launched and can be searched and downloaded under the name, "CarCloud". The service had not yet been launched nationally as yet but the metrics continue to be very promising.

The transaction is progressing well, albeit slower than we would have liked, due to certain matters that have delayed progress and more recently the Covid-19 Pandemic outbreak. We have executed a Share Purchase Agreement to acquire a 50% interest in Pace Cloud Limited. Additionally, Papillon has, to date, raised £500,000 via the issue of 10% convertible loan notes.

The proceeds from the issue of the Loan Notes have been used, in conjunction with existing resources, to continue to finance the costs of developing the CarCloud App and business together with the day-to-day running expenses of Papillon Holdings PLC. The directors believe that the investment in Car Cloud has enormous potential in a very large market, despite the current reduced economic activity but that it will be well placed to take advantage of the pick-up in economic activity expected later this year. The proposed investment should therefore add significant shareholder value and the directors of Pace Cloud and Papillon continue to investigate routes to enhance the offering, the valuation and the route to market of CarCloud. The investment proposes to break new ground in the market in which it operates, and the business model is a completely new solution in the way that individuals own and protect their vehicles, it is a complete ownership solution from purchase and finance, through maintenance and on to the ultimate sale of a vehicle.

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

The Company has submitted a full prospectus to the UK Listing Authority ('UKLA'), which has already been approved twice and which will be published in due course. However, we have to make a re-submission to include these accounts of Papillon Holdings PLC for the year ended 31 December 2019 as more recent financial information is required therein. We also have to update indebtedness statements but we do not expect this to result in many queries from UKLA and we expect this to be agreed in the relatively near future in order that the placing and re-admission of the shares of your company to trading on the standard segment of the LSE may take place. The Investment is subject, *inter alia*, to the completion of due diligence, documentation and compliance with all regulatory requirements.

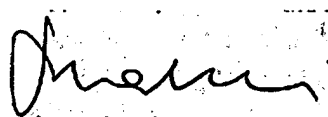
Losses have increased from £582,000 for the year ended 31 December 2019 (2018: £397,000) due largely to higher provisions for listing costs and higher administrative expenses and interest payable. Administration costs have increased to £443,000 (2018: £369,000) and interest costs have increased to £122,000 (2018: £23,000). These are likely to be substantially lower in the ensuing period. Certain creditors in the balance sheet will be converted to equity upon re-listing.

Risks and uncertainties

The Company is a relatively new entity, with only a brief operating history, and therefore, investors have no basis on which to evaluate the Company's ability to achieve its objective of identifying, acquiring and operating one or more companies or businesses.

Whilst the company has executed a Share Purchase Agreement to acquire a 50% interest in Pace Cloud Limited, the directors are unable to offer assurance that the relisting of Papillon Holdings PLC will complete and /or that we will be able to raise the necessary funds via a placing upon re-listing to enable Car Cloud to fulfil its short-term plans.

I would personally like to thank very much our shareholders again for their patience during this process and the extended time in which the shares of your company have been suspended from trading and we look forward to a successful future post the completion of our investment in Car Cloud.



James Longley
Director

29 April 2020

**PAPILLON HOLDINGS PLC
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Principal activity

The company is listed on the London Stock Exchange and is seeking to make an acquisition of a target business by way of a reverse takeover.

Key performance indicators

There are no key performance indicators for this period as the company did not complete its investment activity.

Principal risks and uncertainties

i. Business strategy

The Company is listed on the London Stock with the primary objective of undertaking a single acquisition of a target company, business or asset in the industrial or service.

ii. Liquidity Risk

The Directors have reviewed the working capital requirements and believe that there is sufficient working capital to fund the business and have agreed to make up any shortfall if required.

COVID-19 pandemic and possible similar future outbreaks

Different regions in the world have from time to time experienced outbreaks of various viruses. At this time, a widespread global pandemic of severe acute respiratory syndrome coronavirus 2 (commonly known as SARS-CoV-2) and the infectious disease COVID-19 caused by the virus is taking place. As the virus and the disease it causes are relatively new, effective cure and vaccines are yet to be developed. While COVID-19 is still spreading and the final implications of the pandemic are difficult to estimate at this stage, it is clear that it will affect the lives of a large portion of the global population and cause significant effects. At this time, the pandemic has caused a state of emergency to be declared in various countries, travel restrictions to be imposed, quarantines to be established and various institutions and companies to be closed. The ongoing COVID-19 pandemic and any possible future outbreaks of viruses may have a significant adverse effect on the Company as it may be adversely affected by the wider macroeconomic effect of the ongoing COVID-19 pandemic and any possible future outbreaks. While the final effects of the COVID-19 pandemic are at this stage difficult to assess, it is possible that it will have substantial negative effect on the economies in which the Company operates. Lastly, in case of an economic downturn, the price of the Company's shares and the ability of the Company to obtain further financing may be adversely affected. Any of the factors above could have an adverse effect on the Company's profits and financial position.

**PAPILLON HOLDINGS PLC
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

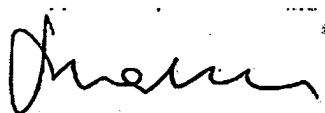
Going Concern

Having given due considerations to the nature of the Company's business, the Directors consider that the Company is a going concern and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements which contains certain assumptions about the development and strategy of the business. The Directors are aware of the risks and uncertainties facing the business, but the assumptions used are the Directors' best estimate of the its future development.

Some of the Directors have agreed to support the Company and help the Company for the foreseeable future for at least 12 months of signing the accounts.

On behalf of the board

Director

A handwritten signature in black ink, appearing to read 'James Longley', with a stylized flourish at the end.

James Longley
29 April 2020

PAPILLON HOLDINGS PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Results and dividends

The trading results for the period and the Company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 the company chooses to report the review of the business, the future outlook and the risks and uncertainties faced by the company in the Strategic Report.

Directors

The following directors have held office throughout the period:

James Longley

Charles Tatnall

Lord Nicholas Monson

Anthony Eastman

Directors' interests

At the date of this report the directors held the following beneficial interest in the ordinary share capital and share options of the company:

Director	Shareholding	Percentage of the Company's Ordinary Share Capital
Charles Tatnall	35,000,000	26.44%
James Longley (held through Hargreaves Lansdown)	35,000,000	26.44%

Substantial Interests

The Company has been informed of the following shareholdings that represent 3% or more of the issued Ordinary Shares of the Company as at 15 April 2020:

Director	Shareholding	Percentage of the Company's Ordinary Share Capital
Charles Tatnall	35,000,000	26.44%
Hargreaves Lansdown (Nominees) Limited (including James Longley)	43,224,997	33.65%
Jim Nominees Limited	20,622,270	15.58%
Peel Hunt LLP	7,322,499	5.53%
Redmayne (Nominees) Limited	7,100,000	5.36%
ISI Nominees Limited	4,500,000	3.40%
WB Nominees Limited	4,290,869	3.24%

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

Dividends

No dividends will be distributed for the current year (2018 - nil).

Supplier Payment Policy

It is the Company's payment policy to pay its suppliers in conformance with industry norms. Trade payables are paid in a timely manner within contractual terms, which is generally 30 to 45 days from the date an invoice is received.

Financial risk and management of capital

The major balances and financial risks to which the Company is exposed to and the controls in place to minimise those risks are disclosed in Note 4.

The Board considers and reviews these risks on a strategic and day-to-day basis in order to minimise any potential exposure.

Financial instruments

The company has not entered into any financial instruments to hedge against interest rate or exchange rate risk.

Auditors

Jeffreys Henry LLP has expressed its willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing 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 period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union
- 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. 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.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Corporate Governance

The policy of the board is to manage the affairs of the Company with reference to the UK Corporate Governance Code, which is publicly available from the Financial Reporting Council.

DIRECTORS' DUTIES – S172 COMPANIES ACT 2006 Directors' duties to promote the long-term success of the Company

The Directors behave and carry out their activities to promote long-term success of the Company for the benefit of the Company's shareholders, employees, suppliers and other stakeholders. They engage with shareholders, employees, suppliers and other stakeholders to reflect their insights and views when making decisions on strategy; delivering operational effectiveness; making plans; driving initiatives; and committing to deliver outcomes that enhance social value. The culture and values promoted by the Directors creates a focus across the Group on observing and maintaining the highest standards of business conduct whilst promoting the long-term success of the Company.

Application of principles of good governance by the board of directors

The board currently comprises the two directors: Charles Tatnall and James Longley

There are regular board meetings each year and other meetings are held as required to direct the overall company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the board. These cover key areas of the company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors, through discussions and one-to-one reviews with the Chairman and the senior independent director.

Statement of disclosure to auditors

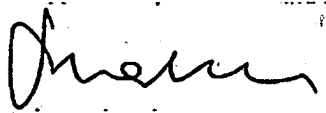
Each person who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
- Each Director is aware of and concurs with the information included in the Strategic Report.

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

Post Balance Sheet Events

Further information on events after the reporting date is set out in note 20. The Directors' have chosen to produce a Strategic Report that discloses a fair review of the business, the key performances metrics that the Directors review along with a review of the key risks



On behalf of the board

James Longley
Director

29 April 2020

**PAPILLON HOLDINGS PLC
DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

The information included in this report is not subject to audit other than where specifically indicated.

Remuneration Committee

The remuneration committee consists of James Longley and Charles Tatnall. This committee's primary function is to review the performance of executive directors and senior employees and set their remuneration and other terms of employment.

The Company has only had two executive directors and no senior employees.

The remuneration committee determines the company's policy for the remuneration of executive directors, having regard to the UK Corporate Governance Code and its provisions on directors' remuneration.

The remuneration policy

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board, but the aggregate of all such fees so paid to the Directors shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office shall be entitled to receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may decide, either in addition to or in lieu of his remuneration as a Director. In addition, any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director, may be paid such extra remuneration as the Board or any committee authorised by the Board may determine.

Service agreements and terms of appointment

The directors have service contracts with the company.

Directors' interests

The directors' interests in the share capital of the company are set out in the Directors' report.

Directors' emoluments

Details of the remuneration packages are included in note 6 – notes to the financial statements.

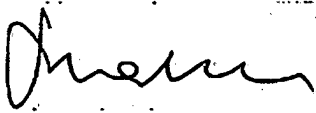
No pension contributions were made by the company on behalf of its directors.

Approval by shareholders

At the next annual general meeting of the company a resolution approving this report is to be proposed as an ordinary resolution.

PAPILLON HOLDINGS PLC
DIRECTORS' REMUNERATION REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

This report was approved by the board on 29 April 2020.



On Behalf of the Board
James Longley
Committee Chairman
29 April 2020

**PAPILLON HOLDINGS PLC
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Policy

The policy of the board is to manage the affairs of the Company with reference to the UK Corporate Governance Code, which is publicly available from the Financial Reporting Council.

Application of principles of good governance by the board of directors

The board currently comprises four directors: Nicholas Monson, Charles Tatnall, James Longley and Anthony Eastman

There are regular board meetings each year and other meetings are held as required to direct the overall company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the board. These cover key areas of the company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The board has delegated certain responsibilities, within defined terms of reference, to the audit committee and the remuneration committee as described below. The appointment of new directors is made by the board as a whole.

The board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors, through discussions and one-to-one reviews with the Chairman and the senior independent director.

Audit committee

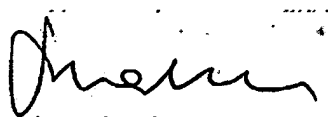
The audit committee comprises the two directors: Anthony Eastman and Nicholas Monson. The committee's terms of reference are in accordance with the UK Corporate Governance Code. The committee reviews the company's financial and accounting policies, interim and final results and annual report prior to their submission to the board, together with management reports on accounting matters and internal control and risk management systems. It reviews the auditors' management letter and considers any financial or other matters raised by both the auditors and employees.

The committee considers the independence of the external auditors and ensures that, before any non-audit services are provided by the external auditors, they will not impair the auditors' objectivity and independence. During the year non-audit services totalled nil and covered normal taxation and other related compliance work, which did not impact on the auditors' objectivity or independence.

There is currently no internal audit function within the Company. The directors consider that this is appropriate of a Company of this size.

PAPILLON HOLDINGS PLC
CORPORATE GOVERNANCE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

The committee has primary responsibility for making recommendations to the board in respect of the appointment, re-appointment and removal of the external auditors.



On Behalf of the Board
James Longley
Director

29 April 2020

**PAPILLON HOLDINGS PLC
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PAPILLON HOLDINGS PLC**

For the year ended 31 December 2019

Independent auditor's report to the members of Papillon Holdings Plc

Opinion

We have audited the financial statements of Papillon Holdings Plc for the year ended 31 December 2019, which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2019 and of the company's result for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as regards the financial statements, Article 4 of the IAS regulation.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant

assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

- Going concern
- Recoverability of loan to Pace Cloud Limited

These are explained in more detail below

Materiality:

Company financial statements:

- £24,000 (31 December 2018: £18,000)
- Based on 5% of Net Loss

Audit scope

- We conducted audits of the complete financial information of Papillon Holdings Plc.
- We performed specified procedures over certain account balances and transaction classes.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Going concern The Company is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading. The going concern assumption is dependent on future growth of the current business and support of some Directors.	Management's going concern forecasts include a number of assumptions related to future cash flows and associated risks. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period for the support available and ability to support.
Recoverability of loan to Pace Cloud Limited The recoverability of the loan to Pace Cloud Limited made in the year. Further details of the loan can be found in Note 11.	The company has loaned £457,000 to Pace Cloud Limited. According to the terms of the agreement the interest is charged at 5% per annum and should be settled in equal monthly instalments over 48 months commencing on the third anniversary of the first draw down of the loan. The loan is to be converted to Equity on completion of purchase. To determine if debts are recoverable a review of the latest available management accounts and forecasts have been undertaken. The assumptions on the forecasts have been challenged and the forecasts have been sensitised.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Company financial statements
Overall materiality	£24,000 (31 December 2018: £18,000).
How we determined it	Based on, 5% of Net loss
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £24,000 (31 December 2018: £18,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope:

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the Company, the accounting processes and controls, and the industry in which they operate.

We performed audits of the complete financial information of Papillon Holdings Plc.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements [and the part of the directors' remuneration report to be audited] are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 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.

Other matters which we are required to address

We were appointed as auditors by the Company at the Annual General Meeting on 9 September 2016. Our total uninterrupted period of engagement is 4 years, covering the periods ending 31 December 2016 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of this report

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



Sanjay Parmar
Senior Statutory Auditor

For and on behalf of Jeffreys Henry LLP Chartered Accountants, Statutory Auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Date: 29 April 2020

PAPILLON HOLDINGS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
	Notes		
Continuing operations			
Listing costs	5	(33)	(12)
Administrative expenses	5	(443)	(369)
Finance costs		(122)	(23)
Other Income: Interest received	21	16	7
Loss before taxation		(582)	(397)
Taxation	7	-	-
Loss and comprehensive loss for the period		(582)	(397)
Basic and diluted loss per share	8	(0.508p)	(0.299p)

Since there is no other comprehensive loss, the loss for the period is the same as the total comprehensive loss for the period attributable to the owners of the Company.

The notes on pages 24 to 39 form part of these financial statements.

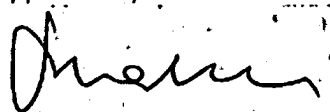
PAPILLON HOLDINGS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		As at 31 December	
	Notes	2019 £'000	2018 £'000
Assets			
Current assets			
Other receivables	10	23	169
Cash and cash equivalents	12	-	31
Non-current asset			
Other receivables	11	457	-
Total Assets		480	200
Equity and liabilities			
Current liabilities			
Trade and other payables	13	789	227
Convertible loan notes	14	478	194
Total Liabilities		1,267	421
Equity attributable to equity holders of the company			
Share Capital - Ordinary shares	15	132	132
Share Premium account	15	602	602
Loan Notes Equity Reserve	14	22	6
Accumulated Deficit	16	(1,543)	(961)
Total Equity		(787)	(221)
Total Equity and liabilities		480	200

The Statement of Financial Position of the Company is stated below:

The notes on pages 24 to 39 form part of these financial statements.

Approved by the Board and authorised for issue on 29 April 2020



James Longley
Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

		31 December 2019	31 December 2018
	Notes	£'000	£'000
Cash flows from operating activities			
Operating loss	5	(582)	(397)
(Increase)/decrease in receivables		(311)	(45)
Increase/(decrease) in payables		562	204
Cash flow from operating activities		(331)	(238)
Cash flows from financing activities			
Issue of 10% Convertible Loan Notes	14	300	200
Net cash from/(used in) financing activities		300	200
Net increase/decrease in cash and cash equivalents		(31)	(38)
Cash and cash equivalents at the beginning of the		31	69
Cash and cash equivalents at end of period		-	31
Represented by: Bank balances and cash		-	31

The notes on pages 24 to 39 form part of these financial statements.

PAPILLON HOLDINGS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium	Loan Note Equity reserve	Accumulated deficit	Total equity
		£'000	£'000		£'000	£'000
As at 31 December 2017		132	602	-	(564)	170
Equity element of the issue of 10% convertible loan notes		-	-	6	-	6
Loss for the year		-	-	-	(397)	(397)
As at 31 December 2018		132	602	6	(961)	(221)
Equity element of the issue of 10% convertible loan notes		-	-	16	-	16
Loss for the year		-	-	-	(582)	(582)
As at 31 December 2019		132	602	22	(1,543)	(787)

Accumulated deficit represents the cumulative loss of the company attributable to equity shareholders.

The notes on pages 24 to 39 form part of these financial statements.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 General information

Papillon Holdings Plc ('the company') is an investment company incorporated in the United Kingdom. The address of the registered office is disclosed on the company information page at the front of the annual report. The Company was incorporated and registered in England and Wales on 19 October 2015 as a private limited company and re-registered on 24 June 2016 as a public limited company when listed on London Stock Exchange.

2 Accounting policies

2.1 Basis of Accounting

This financial information has been prepared in accordance with International Financial Reporting Standards (IFRS), including IFRIC interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These policies have been consistently applied.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's experience and knowledge of current events and actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Going concern

These financial statements have been prepared on the assumption that the Company is a going concern. When assessing the foreseeable future, the Directors have looked at a period of at least twelve months from the date of approval of this report and the working capital requirements of the Company.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

After making enquiries, the Directors firmly believe that together with their support the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have considered the available cash resources of the Company and its current forecasts and has a reasonable expectation that the Company have adequate resources and support to continue in operational existence for the foreseeable future, considered to be at least 12 months for the date of approval from the financial statements. Further details of the Directors' assessment are provided in the Strategic Report. The Directors draw attention to the current uncertainty in respect of the Covid-19 global pandemic.

b) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The Company has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2019 including IFRS 16. The company has no leases therefore IFRS 16 has no impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

(b) New, amended standards, interpretations not adopted by the Company

A number of new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning after 1 January 2018, or later periods, where the Company intends to adopt these standards, if applicable, when they become effective. The Company has disclosed below those standards that are likely to be applicable to the Company and is currently assessing the impact of these standards.

- IFRS 16 Lease, effective date 1 January 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

- IFRIC 23 “Uncertainty over Income Tax Treatments”, effective date 1 January 2019 clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

Management has fully assessed the impact of these standards but does not believe they have a material impact on the financial statements.

2.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. In the opinion of the director, the company has one class of business, being that of an investment Company. The company’s primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

2.3 Cash and cash equivalents

Cash and cash equivalents comprised of cash at bank and in hand.

Equity

Equity comprises the following:

- Share capital: the nominal value of equity shares
- Share premium
- Loan notes equity reserve and
- Accumulated deficit.

Equity instruments

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

Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through the statement of profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Loans and receivables

The Company classifies all its financial assets as trade and other receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company’s loans and receivables financial assets comprise other receivables

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

(excluding prepayments) and cash and cash equivalents included in the Statement of Financial Position.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contracts which give rise to them and are classified as financial liabilities at fair value through the profit and loss or loans and payables as appropriate.

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through income statement.

Fair value through the income statement category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

The Company determines the classification of its financial liabilities at initial recognition and re-evaluate the designation at each financial year end.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Convertible loan notes and derivative financial instruments

The presentation and measurement of loan notes for accounting purposes is governed by IAS 32 and IAS 39. These standards require the loan notes to be separated into two components:

- A derivative liability, and
- A debt host liability.

This is because the loan notes are convertible into an unknown number of shares, therefore failing the 'fixed-for-fixed' criterion under IAS 32. This requires the 'underlying option component' of the loan note to be valued first (as an embedded derivative), with the residual of the face value being allocated to the debt host liability (refer financial liabilities policy above).

Compound financial instruments issued by the Group comprise convertible notes denominated in British pounds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

The Group's financial liabilities include amounts due to a director, trade payables and accrued liabilities. These financial liabilities are classified as FVTPL are stated at fair value with any gains or losses arising on re-measurement recognised in profit or loss. Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

2.5 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

There is no tax currently payable based on the Company making a loss for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2.5 Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

3 Critical accounting estimates and judgments

The company makes certain judgements and estimates which affect the reported amount of assets and liabilities. Critical judgements and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Company's accounting policies, which are described above, the Directors do not believe that they have had to make any assumptions or judgements that would have a material effect on the amounts recognised in the financial information.

Impairment of receivables

The company's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of receivables of the company is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding amounts, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the company were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

4 Financial risk management

The Company's activities may expose it to some financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The responsibility for liquidity risks management rest

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Financial risk management (Continued)

with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the company's short term and long-term funding risks management requirements. During the period under review, the Company has not utilised any borrowing facilities. The Company manages liquidity risks by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

b) Capital risk

The Company takes great care to protect its capital investments. Significant due diligence is undertaken prior to making any investment. The investment is closely monitored.

Financial Risk Management Financial instruments by category

Financial assets	31 December 2019	31 December 2018
	£'000	£'000
Other receivables	457	148
Prepayments and Accrued interest	23	21
Cash and cash equivalents	<u>-</u>	<u>31</u>
Total current financial assets	480	200
Financial liabilities	31 December 2019	31 December 2018
	£'000	£'000
Trade and other payables	789	227
Convertible Loan notes	<u>478</u>	<u>194</u>
Total current financial liabilities	1,267	421

Fair value hierarchy All the financial assets and financial liabilities recognised in the financial statements which are short-term in nature are shown at the carrying value which also approximates the fair values of those financial instruments. Therefore, no separate disclosure for fair value hierarchy is required.

The Company's activities expose it to a variety of financial risks, mainly credit risk and liquidity risk.

Market risk Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Company's market risks arise from open positions in (a) interest bearing assets and liabilities, and (b) foreign currencies; to the extent that these are exposed to general and specific market movements (see details below).

- (i) **Interest rate risk** The Company's interest-bearing assets comprise of only cash and cash equivalents. As Papillon Holdings' interest-bearing assets do not generate significant amounts of interest; changes in market interest rates do not have any significant direct effect on its income.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

4 Financial risk management (Continued)

(ii) **Currency risk** The Company is exposed to movement in foreign currency exchange rates arising from normal trading transactions that are denominated in currencies other than the respective functional currencies of the entity, primarily with respect to GBP. The Company does not have a policy to hedge its exposure to foreign currency exchange risk as the Company has both revenue and exposures denominated in GBP such that the net exposure is declining as the Company moves towards being naturally hedged.

Credit risk Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash balances (including bank deposits, cash and cash equivalents) and credit exposures to trade receivables. The Company's maximum exposure to credit risk is represented by the carrying value of cash and cash equivalents and trade receivables.

Liquidity risk: Trade and other payables are monitored as part of normal management routine.

Borrowings and other liabilities mature according to the following schedule:

	2019	2018
	£'000	£'000
Within 1 year	Within 1 year	
Trade and other payables	789	227
Convertible Loan notes	478	194

5 Operating loss, expenses by nature and personnel

	Year to 31 December 2019	Year to 31 December 2018
	£'000	£'000
Operating loss is stated after charging:		
Directors Remuneration	-	2
Consulting and advisory fees	72	116
Consulting and advisory fees (reverse costs)	200	-
Premises	18	35
Legal and professional fees	111	56
Listing costs	33	12
Audit fees	10	9
Non-audit fees	10	-
Other administrative expenses	33	154
Total administrative expenses	487	384

PAPILLON HOLDINGS PLC

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

6 Personnel

The average monthly number of employees during the period was two, being the directors.

There were no benefits, emoluments or remuneration payable during the period for key management personnel including the two directors other than the information disclosed in note 20.

7 Taxation

	Year ended 31 December 2019	Year to 31 December 2018
	£'000	£'000
Total current tax	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(582)	(397)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	(110)	(75)
Effects of:		
Non-deductible expenses	46	26
Tax losses carried forward	64	49
Current tax charge for the period	-	-

No liability to UK corporation tax arose on ordinary activities for the current period.

The company has estimated excess management expenses of £848,000 available for carry forward against future trading profits.

The tax losses have resulted in a deferred tax asset of approximately £161,000 (2018: £109,000) which has not been recognised in the financial statements due to the uncertainty of the recoverability of the amount.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8 Earnings per share

	Year to 31 December 2019	Year to 31 December 2018
Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:		
Loss after tax attributable to equity holders of the company	(£582,404)	(£396,749)
Weighted average number of ordinary shares	132,400,000	132,400,000
Basic and diluted loss per share	<u>(0.440p)</u>	<u>(0.299p)</u>

There were no potential dilutive shares in issue during the period.

9 Capital risk management

The Directors' objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At the date of this financial information, the Company had been financed by the introduction of capital. In the future, the capital structure of the Company is expected to consist of borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

10 Trade and other receivables

	2019 £'000	2018 £'000
Other receivables	-	148
Prepayments and accrued interest	<u>23</u>	<u>21</u>
	<u>23</u>	<u>169</u>

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

11 Receivables due after one year

	2019	2018
	£'000	£'000
Other receivables	457	-
	<u>457</u>	<u>-</u>

Other receivables represent a loan advanced to Pace Cloud Limited, a company which is still at the development stage and pre-revenue and in which Papillon are acquiring 50% of upon re-listing. This loan will be converted in full, together with further advances and interest accrued to that date, to a maximum of £800,000 in return for an investment in the ordinary equity of Pace Cloud Limited of 50% upon which no further dilution is permitted. Any further investments in Pace Cloud Limited, to a maximum of £2,000,000, will be by way of a five-year 5% Cumulative Preference Shares. The maximum may be reviewed in the future depending on the performance of the investment in Pace Cloud Limited. The Directors have undertaken a full impairment review and have concluded no write down of the loan is required. The forecasts have been reviewed for Pace Cloud Limited to determine the recoverability by the Directors.

The interest on the loan is 5% per annum. The loan advanced and interest accrued is repayable in equal monthly instalments over 48 months commencing on the third anniversary of the first draw down of the loan.

Pace Cloud Limited is subject to numerous risks and uncertainties, including the following key risks:

Risks associated with Pace Cloud's short operating history

Pace Cloud is a recently formed entity and is still at an early stage of establishing its commercial development and has no revenues to date. There is accordingly no guarantee that the business will be successful, nor can there be any certainty that the Group will achieve the projected revenues from its operations.

Competition may limit Pace Cloud's operation and profits

Risk of competition and the company suffers the risk that it may not grow its user base sufficiently or otherwise reach a critical mass of users.

The company will be reliant on software developers and programmers for operational support. Pace Cloud relies on sole third-party supplier to develop, design and launch technology.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

12 Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank	-	31
	<u>-</u>	<u>31</u>

13 Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	457	166
Accruals	332	61
	<u>789</u>	<u>227</u>

14 Borrowings

Convertible loans

On 26 October 2018 the Company issued £100,000 convertible loan notes, repayable on 25 October 2019 if not converted into shares prior to that date, and bearing interest at 10% p.a. payable quarterly in arrears. On 28 November 2018 the Company also issued £100,000 convertible loan notes, due for repayment on 27 November 2019 if not converted into shares prior to that date, and bearing interest at 10% p.a. payable quarterly in arrears. Neither of the loan note issues were converted on or by the due dates and both continue to attract interest on the same terms at 10% pa payable quarterly in arrears.

On 16 May 2019 the Company issued £300,000 convertible loan notes, repayable on 15 May 2020 if not converted into shares prior to that date, and bearing interest at 10% p.a. payable quarterly in arrears.

The net proceeds from the issue of the loan notes issued have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company:

The Directors estimate the fair value of the liability component of the loan notes at 31 December 2019 to be approximately £478,000. This fair value has been calculated by discounting the future cash flows at the deemed market rate of 12%.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15 Share capital

	2019	2018
	£'000	£'000
Allotted, called up and fully paid		
132,400,000 Ordinary shares of £0.001 each	132	132
	<u>132</u>	<u>132</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

The Company has issued Placing warrants to the Placees to subscribe at 1.5 pence per Ordinary share for up to 41,200,000 Ordinary shares each on the basis of one Placing warrant for every two Placing shares subscribed for by each Placee. The Placing warrants are unlisted and are exercisable up to the second anniversary of Admission in whole or in a minimum aggregate amount of 50,000 Placing warrants.

The Company has issued Founder warrants to James Longley and Charles Tatnall, to subscribe at 1.25 pence per Ordinary share for up to 10 million Ordinary shares each, they also hold placee warrants of 5 million each. The Founder warrants are unlisted and are exercisable up to the third anniversary of Admission in whole or in a minimum aggregate amount of 50,000 Founder warrants.

The Company has issued Broker warrants to JIM Nominees Limited to subscribe at the Placing Price for up to 10,300,000 Ordinary Shares. The Broker warrants are unlisted and are exercisable up to the fifth anniversary of Admission in whole or in a minimum aggregate amount of 50,000 Broker warrants.

16 Accumulated deficit

	2019	2018
	£'000	£'000
At start of period	(961)	(564)
Loss for the period	(582)	(397)
As at 31 December	<u>(1,543)</u>	<u>(961)</u>

17 Contingent liabilities

The company has no contingent liabilities in respect of legal claims arising from the ordinary course of business.

18 Capital commitments

There was no capital expenditure contracted for at the end of the reporting period but not yet incurred.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

19 Ultimate controlling party

As at 31 December 2019 the ultimate controlling parties of the Company are the Directors, Charles Tatnall and James Longley, who have a combined shareholding of more than 50% of the ordinary share capital of the company.

20 Events after the reporting period

A non-adjusting post balance sheet event has been recognised with the anticipated financial effect of more widespread coronavirus infection having significant impact on the Group in relation to the following accounting treatments:

Going concern and funding:

Management have to make judgements on various uncertain future outcomes of events or conditions, consideration when determining whether or not the Company can prepare its financial statements on the going concern bases:

The degree of uncertainty associated with the outcome of Coronavirus increases significantly the further into the future. Management will assess all available information and will continually assess the situation.

21 Related party transactions

During the year ended 31 December 2019 the Directors received consultancy fees through the following companies:

Director	Company	2019 Fees paid £	2018 Fees paid £
James Longley	James Longley Limited	57,600	56,400
Charles Tatnall	Tatbels Limited	57,600	56,400
		<u>115,200</u>	<u>112,800</u>

During the year ended 31 December 2019 neither of the Directors were any paid fees

Director	2019 Fees paid £	2018 Fees paid £
James Longley	-	-
Charles Tatnall	-	2,578
	<u>-</u>	<u>2,578</u>

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Related party transactions (Continued)

During the year ended 31 December 2019 the Company paid rent of £17,700 (2018: £35,400) in respect of rental of offices. The head lease on these offices is owned by James Longley.

During the year ended 31 December 2019 the Company received a loan of £8,915 from Fandango Holdings PLC at a rate of 5% per month payable upon demand. Charles Tatnall is a director of Fandango Holdings PLC.

During the year ended 31 December 2019 the Company made loans of £57,000 to Stranger Holdings PLC at an interest rate of 5% per month. The loan amount was fully repaid by 17 December 2018. Both Charles Tatnall and James Longley are directors of Stranger Holdings PLC.

Assignment of Loan and Transfer of Litigation Rights

On 18 April 2018, James Longley assigned to the Company all of James Longley's legal and beneficial right, title and interest in a £100,000 loan that James Longley had made to an individual, namely James Thorpe, between 5 February 2016 and 20 September 2017, to fund two new ventures started by Mr Thorpe ("New Ventures"). James Longley's interests in bringing claims against Mr Thorpe and the New Ventures in respect of James Longley's £100,000 loan are aligned with the interests of the Company, which had also loaned monies to Mr Thorpe and the New Ventures in anticipation of a possible reverse takeover by the Company of the New Ventures. In exchange for making this assignment, James Longley is to receive £90,000 from the Company. The amount due to James Longley is included in 'Other payables' and an impairment of £90,000 has been booked against claims receivable from Mr Thorpe and New Ventures.

Separately, on 18 April 2018, James Longley transferred to the company rights to bring a claim against Mr Thorpe arising out of an arrangement between James Longley, individually, and Mr Thorpe, individually, for James Longley to have business opportunities in respect of New Ventures. In exchange for making this transfer, James Longley is to receive £95,000 from the Company. Accordingly, by virtue of James Longley's loan assignment and litigation rights transfer, the Company has a contingent liability to James Longley and a contingent asset on the recovery from Mr Thorpe and New Ventures.