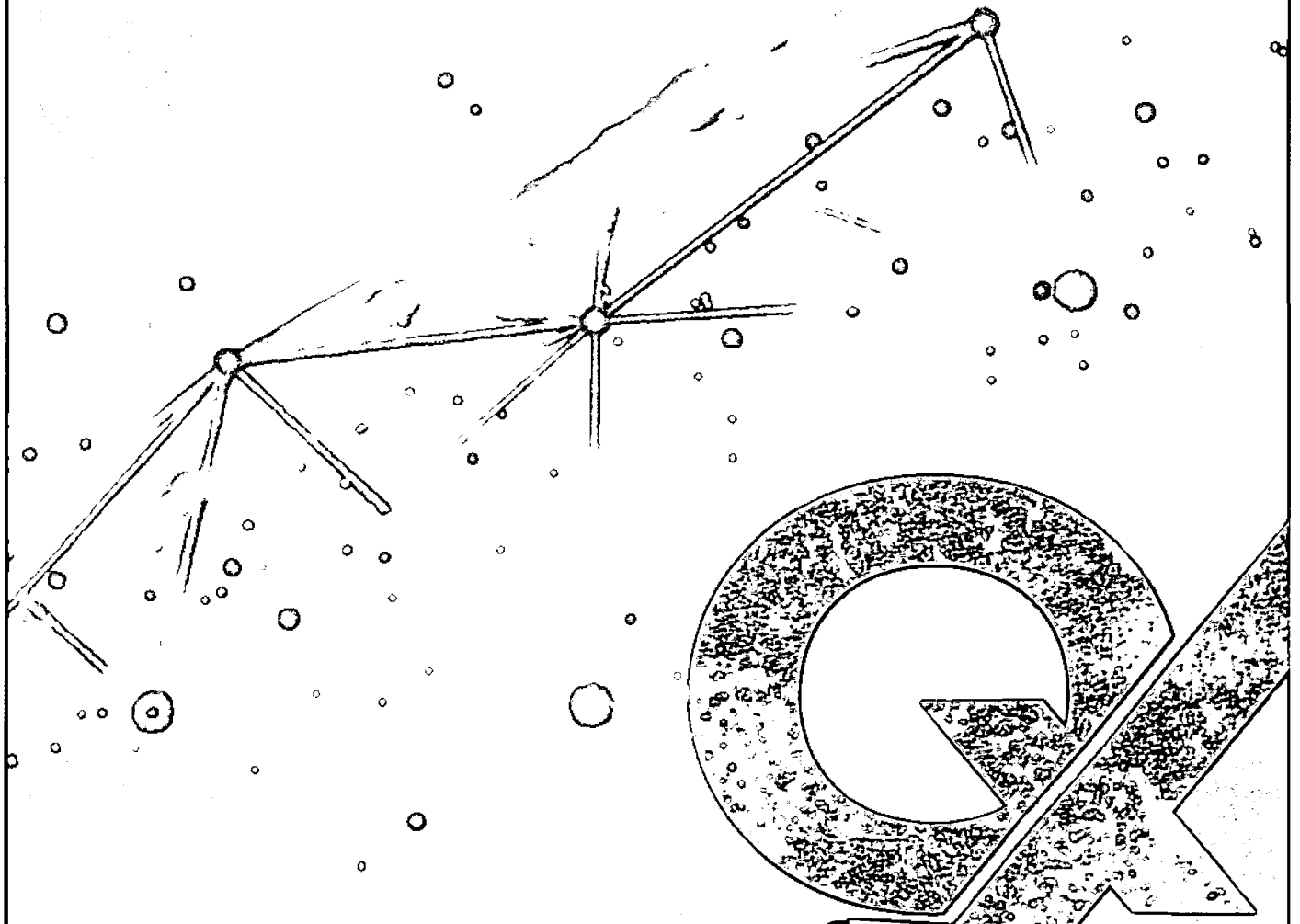


AQUIS®
EXCHANGE PLC



Annual Report & Accounts 2019

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2019: A year of consolidation and opportunity creation



Alasdair Haynes,
Chief Executive Officer

The last 12 months have seen Aquis Exchange PLC battle a number of headwinds but emerge strong and poised for further growth.

Despite a challenging market environment in 2019, caused by declining global equities market activity, political uncertainty in the UK, the loss of Swiss equivalence and the Brexit scenario, Aquis Exchange ended the year with very strong revenue growth and higher market share. In addition, the Company took the major decision to enter into the primary listings business by agreeing to buy NEX Exchange Ltd and thus setting the stage for a new phase of growth.

The acquisition of NEX Exchange gives us a coveted REI license and the Company believes it can bring its track record of transparency, technological excellence and innovation to the depressed IPO sector and boost trading in small and mid-cap stocks.

This acquisition is a crucial step in our stated aim of becoming the leading technology-driven exchange services group in Europe. Notwithstanding the impact of the COVID-19 pandemic, the year 2020 looks set to be a pivotal one for the development of Aquis Exchange.

Revenue up 73%

Revenues in 2019 were £6.9m, up from £4.0m in 2018.

Market Share up to 4.6%

Market share of pan-European continuous trading increased from 3.8% to 4.6%, a rise of 21%.

EBITDA near break even

Adjusted EBITDA loss fell to £0.13m in 2019 from £2.3m in 2018.

MaC acceleration

The Market at Close (MaC) order type gained significant traction in 2019, with market share of total pan-European closing auctions rising from 0.36% in August to 3.52% in December.

Acquisition

Aquis Exchange agreed to buy NEX Exchange in July 2019.

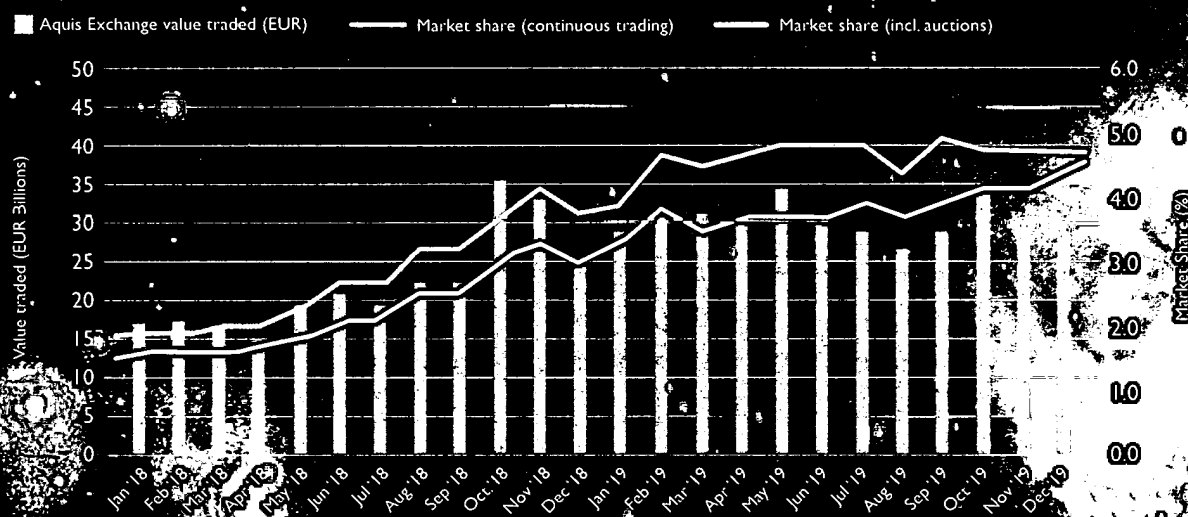


Key Performance Statistics

REVENUE GROWTH

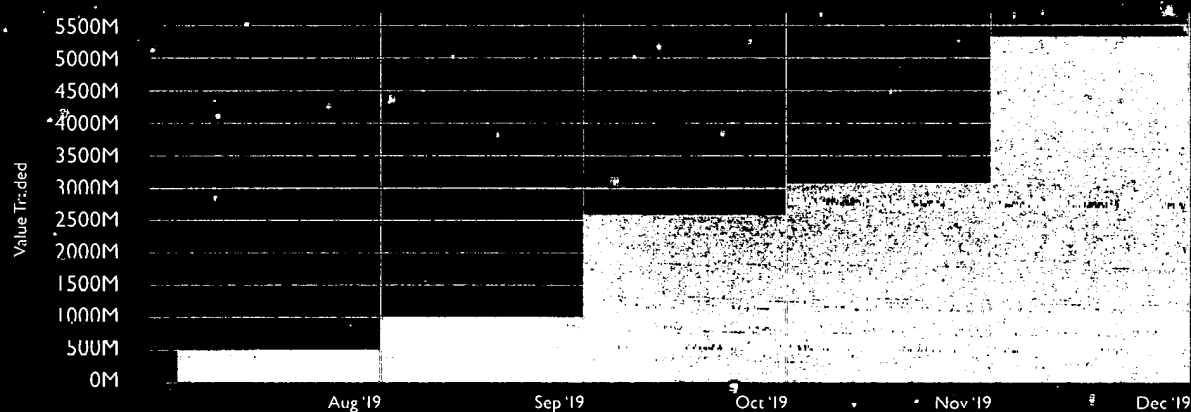


MARKET SHARE AND VALUE TRADED



MaC TRADED VALUE

The Market at Close (MaC) order type gained significant traction in 2019, with market share of total pan-European closing auctions rising from 0.36% in August to 3.52% in December.

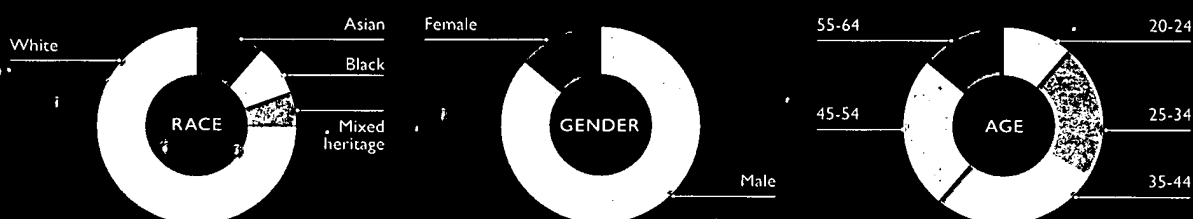


Aquis Exchange and ESG

Although it is not an official requirement for Aquis Exchange to produce an Environment, Social and Governance (ESG) report, The Company's responsibilities and compliance in the area of environment, social and governance (ESG) are important and in line with our core values of transparency and fairness.

Here are some relevant facts:

DIVERSITY



ENVIRONMENT

RECYCLING

Batteries, cartridges, plastics, paper

CARBON REDUCTION

Motion activated lighting

TRANSPORT

London and Paris offices linked via rail, no need for air travel

SUPPLY CHAIN

Green credentials of suppliers checked

COMMUNITY

CHARITY

Aquis makes annual charity donations and supplements staffs' own philanthropic activities. Charities we have supported recently include MIND, Macmillan and MND Association.

EDUCATION

During 2019 Aquis engaged with a UK university to begin research into artificial intelligence and machine learning in the financial sector.

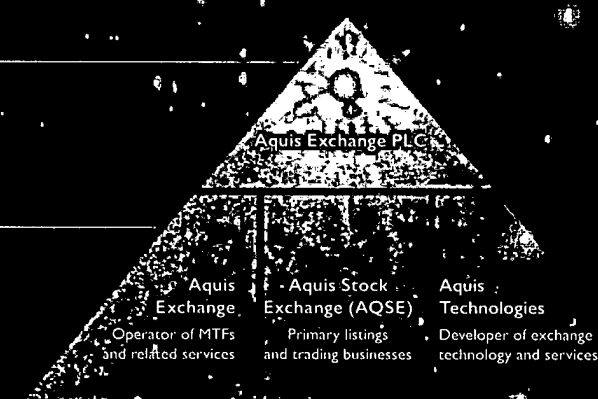
NB. Diversity statistics exclude Board

Aquis Exchange at a glance

The Company

3 Divisions

Multiple Products & Services



- MTF (UK & France)
- Data Services

- AQSE Main Market (RIE)
- AQSE Growth Market (MTF)
- AQSE Trading (MTF)

- Aquis Matching Engine
- Aquis Market Surveillance
- Aquis Market Gateway
- Services:
 - Surveillance
 - Operations

Chairman's Statement



Nicola Beattie,
Non-Executive Chairman

Overview

2019 was Aquis Exchange PLC's ("Aquis" or the "Company") first full year as a listed company on the AIM market and our raised market profile has assisted the growth that Aquis achieved during the year. Despite market-wide uncertainties and reduced equity volumes, Aquis delivered a significant increase in its market share of the pan-European equity market to 4.62% of the overall pan-European market of continuous trading during 4Q19. In addition, Aquis' world-class exchange trading and surveillance technology continued to garner interest across multiple asset classes.

2019 also saw the announcement of the proposed acquisition of NEX Exchange Limited, now branded as Aquis Stock Exchange ("AQSE"), which was approved by the Financial Conduct Authority ("FCA") and completed in March 2020. The acquisition adds a new dimension to Aquis whilst being in line with its overall strategy to be a disruptor in the exchange world and to build a leading technology driven exchange business.

CONTINUED ►

Board and Governance

The Board continued to evolve during the year. Glenn Collinson was appointed at the start of 2019. Glenn's background as an engineer and his years of developing and marketing technology products, as well as his listed company experience have already been invaluable to the business. David Vaillant joined as Non-Executive Chairman of Aquis' new French subsidiary. David brings corporate and institutional banking skills to the Aquis Group, as well as a sound knowledge of French financial markets and regulations. In this Annual Report the "Group" shall include Aquis and Aquis Exchange Europe SAS while the "broader Group" shall also include NEX Exchange.

The Board decided to retain the services after the acquisition of AQSE of Michael Berkeley, previously a Non-Executive Director of NEX Exchange Ltd, to ensure that legacy AQSE governance and knowledge is maintained and to provide continuity. Michael Berkeley has been appointed Chairman of AQSE and will meet with the Aquis Board as appropriate to ensure effective communication is maintained between the boards. Upon completion of the acquisition, Glenn Collinson stepped down from the Aquis Exchange PLC Board to become a Non-Executive Director of AQSE. Mark Goodliffe has also joined the Board of AQSE and continues as a NED on the Aquis Board.

The Board remains committed to high standards of corporate and regulatory governance. Up until November 2019, all Aquis Board members and senior managers were approved by the FCA. This year saw preparation for the end of the approved persons regime and the introduction of the Senior Management and Certification Regime ("SM&CR") by the FCA which became effective from December 2019. This has increased the accountability of the senior managers, as well as certain members of the Aquis Board and ensured that individuals have clearly prescribed responsibilities which are now assigned to them. All Board members are aware of their additional responsibilities under both UK and European regulations and guidelines with regards to the oversight of financial market infrastructures.

Culture and Stakeholder Engagement

Aquis remains driven by its visionary, founder-led management team who are committed to maintaining its strong corporate culture. The Aquis Board determined how best to engage with stakeholders in 2019 to further embed the culture and ascertain stakeholder feedback. It decided to place particular focus on employees and shareholders during the year.

I, as the Chair, was appointed as the representative of the Board to liaise with employees. I met with the majority of employees of the firm, either one on one or in small groups of 3 or 4 during the year. These groups were open two-way discussions and were an opportunity for employees to express their views directly to a member of the Board. The firm's whistleblowing policy, an important part of the new SM&CR regime was also explained to employees during each discussion.

The firm also undertook its first employee engagement survey. The overall survey feedback was very positive, setting a solid foundation for future years and has provided useful information to support the Board's responsibility to establish and maintain a collaborative, inclusive and quality-driven culture at Aquis, and identified some areas for improvement.

The Board also set a target for a sub-set of Board members to meet the majority of shareholders during the course of the year. Given the relatively small number of shareholders of Aquis, I as the Chair, accompanied by either the Senior Independent Director, Richard Bennett or Glenn Collinson, met with every shareholder with a holding of more than 2% during the year, as well as with a selection of smaller shareholders.

As Aquis grows and pushes forward with its disruptive agenda against a backdrop of increasing regulation and a new presence in continental Europe, it needs to invest in attracting and maintaining high quality, experienced, innovative and positive individuals who can support the Group's evolution and promote its cultural values. The acquisition of AQSE means a number of new staff members joined the Aquis team in March of 2020 and we look forward to integrating them into the organisation. Equally, current and new staff took on responsibilities for the French entity and have worked hard to get the French office ready for Brexit.

Corporate Sustainability

The Board recognises its broader responsibility to create sustainable growth and we are making progress in integrating sustainability and diversity objectives into our strategic plan and our cultural thinking. Some detail of these objectives and how we plan to work towards them are available in this annual report. We will continue to monitor and give updates on our progress.

Chairman's Statement continued

Our focus for the year ahead

The Board continues to be focused on ensuring the business delivers on its strategy, managing risks, building sustainability and developing an appropriate framework for growth. However, Brexit and the COVID-19 pandemic continue to bring uncertainty to the entire market.

The business remains well prepared for Brexit with regulatory approvals and an established presence in France, which should allow uninterrupted service regardless of the impact of Brexit.

As a technology Group, Aquis has already embraced flexible working practices and, with our financial market responsibilities, we had well established remote working policies and disaster recovery plans. These have been robustly tested as a result of COVID 19 and in a time of extreme market volatility.

Our first priority is the well-being of our staff who have, to date, coped admirably in a completely remote environment. The Board does not underestimate the fact that this may need to be sustained for a prolonged period of time but communication from top to bottom of the organisation is facilitated by the fact that the Aquis Group is a small organisation.

Nonetheless, we remain committed to our long-term goal of improving the quality of trading experiences whilst maintaining transparency for the benefit of the end investor. The recently enforced changes in working practices for all of our stakeholders may bring permanent changes that will need to be managed carefully and could result in both threats and opportunities in trading and issuer services.

Aquis has always been a disruptor and maintaining flexibility around strategy therefore remains very important as we look to the future. The firm is in close contact with its customers and suppliers. This is initially to ensure business continuity and stability but on a more forward-looking basis to be alert to changes that Aquis can respond to at a more strategic level.

On behalf of the Board and all shareholders, I would like to thank all staff for their hard work during the year and particularly for their resilience and adaptability during the recent weeks of COVID-19 work practice restrictions and extraordinary market turmoil.



Nicola Beattie,
Non-Executive Chairman

Chief Executive's Report

Despite turbulent economic conditions, 2019 has been a period of excellent progress and we achieved 4.6% market share of the pan-European market of continuous trading during 4Q19, and ended the year reporting a 73% growth in revenue to £6.9 million. Alongside this progress, we achieved a key milestone for the business when we announced the strategic acquisition of NEX Exchange Limited now branded as Aquis Stock Exchange ("AQSE").

Our strong revenue growth was driven primarily by rising subscription fees as a result of higher trading levels and an increase in the number of members, supplemented by growth from the technology and data divisions. Our success continues to be driven by the compelling nature of our subscription model and the strength of our industry-leading exchange software platform. We offer a faster and more reliable trading venue to both liquidity providers and market participants, and the benefits are clearly now flowing through into improved financial results.

The 75% decrease in loss after tax, from a £3.4 million loss in 2018 to £862k in 2019, is a significant step towards achieving overall profitability.

Aquis Exchange

Over the period, our multilateral trading facility ("MTF") platform delivered significant growth despite challenging economic and regulatory conditions. The number of trading members grew from 27 to 30 and a number of members increased their activity levels, leading exchange revenue to increase 71% to £5.3m.

Market share of pan-European continuous trading has risen from 3.8% to 4.6% over the last 12 months and from 2.6% at the time of the IPO in June 2018. Our Market at Close ("MaC") order type, launched in August 2019, made a significant contribution to trading volumes on the platform. As MaC allows members to enter orders for matching on the Aquis platform at the closing price of the market, we now operate across a larger cross-section of all available trading. We have therefore expanded the basis of the measure of our market share to include dark pool and closing auction volumes along with the lit book trading. The market share results referred to above now incorporate these market activities and the Aquis MaC volumes.

The Group currently offers clients the ability to trade in excess of 1,500 stocks and ETFs across 14 European Markets. During the year the loss of Swiss Equivalence required Aquis to cease trading Swiss stocks; however, this reduction was partially offset by the addition of Irish stocks. The significant available liquidity, approximately 20% of total pan-European equity liquidity, increased from 15% in 2018 and should underpin future market share growth.

In March 2019, the Company established a French subsidiary with full regulatory approval to operate an MTF covering the European Union. Despite the uncertain political situation in the UK throughout much of 2019, the Group completed its Brexit plans on schedule and is now able, both during the transition period and thereafter, to maintain uninterrupted service.

Two headwinds were faced in the period: the loss of Swiss Equivalence caused a reduction in our overall market share, and we saw reduced monthly message traffic from an overall market slowdown due to political uncertainty. The fact we have delivered such strong growth despite these developments demonstrates the highly competitive nature of our exchange business.

Aquis Technologies

In addition to the exchange business, Aquis licenses its leading exchange related technology to a variety of international financial services clients across different asset classes. Revenue from technology licensing in 2019 grew 72% to £1.3 million, reflecting the growing demand for our high-calibre, in-house technology.

Aquis Technologies continues to develop its technology platforms to support growth across different asset classes internationally.

Aquis Market Data

Data revenues increased 135% in 2019 to reach £340k. Market data is a significant revenue generator for the national exchanges, and we expect that this revenue stream will become increasingly significant to Aquis over time.

The Group is continually monitoring European Commission plans and market demand to introduce a consolidated tape service for the industry. It is well placed to understand and grow into any such market developments.

Primary Markets: Aquis Stock Exchange

In July 2019, we announced our plans to acquire 100% of the share capital of NEX Exchange Limited from CME Group Inc. for the nominal amount of £1 plus the current working capital held by NEX Exchange Limited, the majority of which comprised regulatory cash and which amounted to £2.87m at the transaction date. The Company received approval for the deal from the FCA in March 2020.

The acquired company, rebranded as Aquis Stock Exchange, had 90 companies quoted on its two markets, with a total market capitalisation of almost £2bn as of 11 March 2020. It works with 49 registered brokers and 8 market makers. As previously announced, we have now entered a consultation period with industry participants in order to assess opportunities to enhance the market functionality. For the year ended 31 March 2019, NEX Exchange Limited delivered revenues of £1.5 million and a loss before tax of £2.1 million.

The acquisition has provided us with the ability to operate a Recognised Investment Exchange (RIE) giving our business the same status as the large national exchanges in Europe, and providing further resilience in the face of possible regulatory headwinds.

Underpinned by the Group's proven technology and a track record of transparency and innovation, I am confident that we have the ability to build Aquis Stock Exchange into a competitive and disruptive primary marketplace, particularly as MiFID II continues to put the traditional business model of established exchanges under pressure. I believe that we have a unique opportunity to build a pan-

Chief Executive's Report continued

European, technology-driven, listing exchange for growth companies, whilst simultaneously positioning ourselves to be able to overcome several issues faced by small and mid-cap market participants today.

Further Investment in Research and Development (R&D)

The Group continues to invest in R&D in order to maintain and enhance the quality of its technology and its ability to be able to deliver new products and platform enhancements to its clients. Our proven trading platform has been developed in-house and is based on proprietary technology which does not rely on third party software suppliers. I believe this gives us a significant competitive advantage on functionality, price and ability to deliver. Aquis' nimble R&D organisation ensures expeditious product development and, together with Aquis' further investment into its sales organisation, will allow the Group to react quickly to dynamic market conditions. We intend to continue to work on further developments which will foster future growth.

Outlook

There is currently significant macro-economic uncertainty given the COVID-19 outbreak, however I believe that our strong team and technology platform should enable us to overcome the challenges created by the pandemic. Our technology systems are currently dealing efficiently with the higher market volumes caused by increased volatility in trading and we have an effective remote operating capability in place. Although the longer-term economic impact is harder now to predict, such that it is difficult to forecast the effect on the broader Group for the time being, I remain confident in our unique proposition and ready to take the broader Group to the next level of operational, financial and strategic success.

As announced on the 19th of December 2019, investment in Aquis' R&D and sales organisations is intended to be increased by around £1m per annum from 2020 to lay the foundations for further growth and value creation for shareholders. These investments should support the aim of broadening and improving our market position through innovation and excellence. We will continue to promote the Aquis values of transparency, fairness and simplicity, enabling our end customers to get better performance and results.

In addition to tackling the issues of small and mid-cap trading, our aim in the future will be to deliver robust and sustainable returns for the benefit of shareholders and all our other stakeholders in the medium and long term. Despite the unprecedented situation which we, together with the whole world, now face, our highly capable and experienced management team remains focused on serving our clients as we grasp the opportunities ahead and, in particular, on delivering our shared goals, and our vision for transformation of primary markets for small and mid-cap stocks.



Alasdair Haynes
Chief Executive

Strategic Report

Overview of the business

Aquis Exchange plc ("Aquis" or "the Company") is a founder-led, pan-European MTF operator that also provides exchange and regulatory technology to third parties. In March 2020 it acquired NEX Exchange Limited ("NEX Exchange"), a Recognised Investment Exchange ("RIE").

The Company is regulated by the UK Financial Conduct Authority with a French subsidiary, Aquis Exchange Europe SAS, an investment firm, that received regulatory approval to operate as an MTF from the Autorité de Contrôle Prudentiel et de Résolution (ACPR), effective in March 2019.

The Company was founded in 2012 with the vision to become the leading technology driven exchange services group and to introduce competition and innovation to the securities trading market. With these guiding principles the Group's main focus is to:

- Capitalise on regulatory and technical shifts in market infrastructure by providing an exchange which offers deeper liquidity and transparent, higher quality execution for intermediaries and investors;
- Continue to increase the number of members and associated trading volumes by providing a robust and innovative platform that responds to their needs;
- License its proven technology platform to third parties that require trading or market surveillance technology; and
- Positively address the current issues in small and mid-cap trading through the RIE status obtained in March 2020.

Aquis' trading platform is a cash equities trading venue with a unique subscription-based pricing model based on electronic messaging traffic and a non-aggressive trading model. This means that certain types of trading behaviour are not allowed and it encourages more passive trades to rest in its order book. This creates greater depth of liquidity and less potential for information leakage or "toxicity" in the market. The principal competitors to the trading business are the national exchanges and other pan-European MTFs / RIEs which charge customers on a per transaction model and allow fully aggressive trading. Since the Company commenced trading it has consistently increased its market share which has grown to reach an

average of 4.62% of the overall pan-European market of continuous trading during 4Q19. The business is well positioned to benefit from regulatory changes which support transparent, low toxicity growth on "lit" markets. The regulatory trends and institutional support for greater transparency in European equities trading also support future business growth.

The client base of the trading platform consists, principally, of investment banks and brokers acting on behalf of institutions such as pension funds and asset managers. The Group's members are able to trade European securities on a 'lit' market. This means that the dealing price prior to the trade is transparent to the whole market. This is in contrast to pricing on dark and grey markets, where price discovery is only available to the market post-trade.

Aquis' matching engine and surveillance technology has been operating successfully for a number of years. It has been developed for multi-asset class trading and is attracting customers wishing to license the technology as the trading engine for a broad range of instruments. The Company's principal technology customers are new equity exchanges where the market is opening up to competition as well as crypto currency exchanges, MTF operators across asset classes and market participants requiring real time market surveillance. Competitors of the licensing business are other matching engine providers and surveillance software providers.

Independent studies have verified that Aquis's non-aggressive trading model has materially lower toxicity than its competitors, which reduces adverse price movements thereby lowering the implicit costs of trading for the end investor. This is a significant positive differentiating factor and underpins our continued growth potential. We are a strong supporter of the regulatory principles such as greater transparency for markets that have been introduced and we are committed to complying with market regulation. We believe we are well placed to benefit from the anticipated additional regulation given our robust and agile business model, our lean cost structure and our technology leadership.

The Board have established clear financial and non-financial KPIs for senior Executives for the broader Group. The KPIs are revenue, EBITDA, market share of the exchange platform, quality of technology and its sustainability and compliance with regulations and corporate governance.

Financial Review

Growth has been steady across all revenue streams during 2019. An analysis of revenue is as follows:

	Group		
	2019 £	2018 £	YoY Growth %
Revenue analysed by class of business			
Subscription fees	5,285,000	3,100,839	70%
Licence fees	1,269,362	737,530	72%
Data vendor fees	337,632	143,541	135%
	6,891,994	3,981,910	73%

Strategic Report continued

The loss before interest, tax, depreciation and amortisation ('EBITDA' loss) for the year decreased 90% to £199k compared to a £2.1 million loss in the previous year. The decrease in EBITDA losses for the 2019 financial year is primarily attributable to increased exchange revenue as members' subscriptions have risen as a result of increased trading levels, as well as increased revenue from new technology licensing contracts that were signed and/or renewed during the year. The reduction in losses is illustrative of the significant increases in revenue experienced for a proportionately smaller increase in costs.

The trade receivables resulting from revenue from licensing technology contracts attract an IFRS 9 expected credit loss (impairment) provision on the trade receivables arising from contract assets. The application of IFRS 9 has resulted in an expected credit loss reversal during the year of £243k (2018: £424k reversal).

The loss before taxation for the 2019 financial year decreased by 70% to £1.1 million compared with a loss of £3.7 million in 2018. The loss before taxation is after applying amortisation charges to internally generated intangible assets, as well as depreciation and finance charges which reflect the effect of adopting IFRS 16: Leases for the first time in 2019. The new standard prescribes a different treatment for operating leases, whereby companies recognise a lease liability and corresponding right of use asset on the Statement of Financial Position, as opposed to a rent expense charge in the Statement of Comprehensive Income. The lease liability is amortised over the life of the lease, attracting a finance expense charge amounting to £41k for 2019, whereas the right of use asset is depreciated on a straight-line basis over the life of the lease, attracting a depreciation charge of £173k for 2019. As permitted under the standard, comparatives for previous years have not been restated.

The Group believes that the overall 75% decrease in loss after tax to £862k compared to a £3.4 million loss after tax in 2018 is a significant step towards achieving overall profitability.

In June 2018, the Company listed on the AIM market of the London Stock Exchange. The costs incurred for Listing were included as exceptional costs for the year ended 31 December 2018. There were no exceptional costs for the year ended 31 December 2019.

The Group's cash and cash equivalents as at 31 December 2019 were £11.0 million (2018: £11.6 million).

Group investments, productivity and capital management

The Group has continued to invest in its technology offering throughout the year. This has included the creation and enhancement of new order types, enhancements to the surveillance system and auction systems, as well as technological development to enable the move into different asset classes. In addition, the Group has made further investment in personnel resources and increased its marketing budget as it continues to develop capability and brand awareness.

The broader Group meets the FCA and ACPR capital adequacy requirements and intends to invest appropriately to be able to continue to grow and enhance its business operations.

The Board considers that the investments in personnel have contributed to the Group's ability to gain new clients, broaden its customer base and increase revenue. The Board recognises the importance of continuing to enhance productivity, and the commitment to future investment, both technically and in terms of resource training and development. The Group is in the process of establishing both short- and long-term incentive plans based on performance for all employees, which are set out in more detail in the N&RC Report, and which the Board believes align the employees' interests with the long-term strategic objectives of the Group.

The Company is required to maintain sufficient capital to meet its regulatory obligations. These are calculated and updated annually. At 31 December 2019 the ICAAP requirement amounted to £2.6m (2018: £1.8m).

In deciding its investment plans, Group management receive a detailed analysis of the exchange and client technical opportunities and related time requirements on a quarterly basis, and then determine the personnel and other resources that it wishes to allocate to these opportunities. This information also includes an estimate of the deployment cost.

Future development of the business

In order to support its long-term vision and in order to strategically position for continued growth, Aquis has invested significantly in its business differentiators, the technology platform, brand and personnel resources. The Group is cognisant of the importance of such investments to maintain innovation and strong quality delivery.

NEX Exchange Acquisition

In March 2020, the Company completed the strategic acquisition of 100% of the share capital of NEX Exchange, now rebranded as Aquis Stock Exchange ("AQSE") from CME Group Inc. for a cash consideration of £1, plus approximately £2.8m based on NEX Exchange's current working capital levels at the time of transfer.

Based on the audited financial accounts for the year ended 31 March 2019, NEX Exchange delivered revenues of £1.5m and a loss before tax of £2.1m. It should be noted that whilst the announcement was made in 2019, approval from the FCA only occurred post the 31 December 2019 year-end, and as such the results of AQSE have not been consolidated in the Group Financial Statements accompanying this report but will be for periods commencing 1 January 2020.

Further details on NEX Exchange are as follows:

NEX Exchange is a UK Recognised Investment Exchange ("RIE"), focused on listings in the small-cap primary market. Aquis believes that there are a number of interesting potential synergies that can be realised between NEX Exchange operations and Aquis exchange activities in particular across both companies' exchange memberships and use of technology.

The company was acquired for its net asset value plus £1. Consequently, the acquisition did not generate any goodwill and no intangible assets were acquired.

The acquisition was concluded on 11th March 2020 with fair value for cash, receivables (net of provisions) and liabilities. The acquisition did not include any loans, finance leases or any other class of receivables nor any contingent liabilities.

The acquisition consisted of:

Cash: £2.6m

Receivables (net of provisions): £0.5m

Accrued income: £0.1m

Creditors and deferred income: £(0.3m)

Acquisition costs (legal and professional fees) recognised as an expense in the 2019 Aquis financial statements amounted to approximately £0.2m.

The estimated revenue, costs and operating profit / loss of the acquired business for the month since the acquisition closing date of 11th March are as follows:

Revenue: £140k

Costs: £180k

Net loss: £(40k).

Corporate social responsibility and stakeholder management

The broader Group is committed to ethical business conduct and expects the highest standards of integrity to be followed by the Directors and all employees. The Aquis culture is underpinned by the following core values:

- Trust (integrity, competence and delivery);
- Pro-activity (discipline and initiative);
- Openness (transparency);
- Excellence (through creativity and innovation);
- Collaboration (through positive, collegiate and free thinking); and
- Respect.

The Company complies with the requirements prescribed by S172 of the Companies Act to disclose how the Company promotes its success for the benefit of all stakeholders and the Board is acutely aware that the broader Group's long-term success and sustainable value creation is critically reliant on maintaining good relations with all stakeholders. An analysis of the Company's stakeholders was undertaken during the year and an engagement plan was established.

Specific stakeholder considerations by the Board included, but were not limited to, the critical analysis and assessment of major strategic decisions, for example the acquisition of NEX Exchange and Aquis' Brexit strategy.

The Board's direction for the broader Group is based on ensuring that decisions are made after taking account of all the principal stakeholders, which have been identified by the Board. In arriving at these decisions the Board has assessed the likely consequences of any decision in the long term, the interests of the broader Group's employees, the need to foster the broader Group's business relationships with suppliers, customers and others, the impact of the broader Group's operations on the broader community, the desirability of the broader Group maintaining a reputation for high standards of business conduct, and the need to act fairly between shareholders of the Company. The key actions in the stakeholder engagement plan were:

- (1) For the Chair and members of the Nominations and Remuneration Committee (NR&C) to engage with shareholders through one-on-one meetings during the last quarter of 2019. The purpose of this was to build strong relationships with the shareholders and understand their areas of focus as well as to introduce proposed changes to remuneration. Meetings were held with every shareholder with a holding of more than 2% of the Company as well as a selection of smaller shareholders.
- (2) To follow the latest corporate governance guidance on employee engagement, the Chair was appointed as the Board member responsible for employee engagement and undertook meetings in small groups or one-on-one with all staff members. This was complemented by an employee engagement survey, which allowed employees to provide feedback in confidence. Aquis already has a whistleblowing policy, and these engagement meetings were also used to emphasise the options available for whistleblowing and explain the FCA's increased protection for whistle-blowers.
- (3) To commence a program of assessing clients and suppliers on their commitments to the environment, social issues and corporate governance (ESG). These include, in particular, reviewing client diversity statements and key supplier energy commitments.

Details on how Aquis acts on its broader responsibility towards its stakeholders, both immediate and far reaching, are given below.

Clients

The Group pro-actively gathers regular feedback from clients, both positive and negative, in order to understand their ever-evolving needs, identify any improvements that would result in better client outcomes or satisfaction and to foster good client relations.

Improved efficiency of the investment industry through transparency and innovation is the cornerstone upon which Aquis' disruptive business is built, and we aim to have a business that promotes integrity, cost-effectiveness and sustainable investing practices from which our clients directly benefit.

Strategic Report continued

Shareholders

The Aquis business is driven by the goal of sustainable value creation and long-term growth for shareholders, and the Board strives to ensure that the key strategic decisions are taken with this goal in mind. The stakeholder engagement plan seeks to enhance shareholder relations with the Board, whilst ensuring their views are understood and are at the forefront of decision-making.

Employees

The broader Group has a relatively small resource base, and therefore has concentrated on recruiting personnel with a high degree of specialist skills. The broader Group provides on-going training and support with the aim of ensuring that personnel retain and enhance their technical skills and that employees feel that there is opportunity to develop within the broader Group.

The broader Group promotes a positive and inclusive culture. Team meetings and Group briefings are held on a regular basis to ensure all personnel are informed of the Group's performance and key strategic objectives and goals. In addition, the Chair has facilitated engagement mechanisms with employees so as to ensure that the broader Group's initiatives and efforts are effective and progressively maintained.

The broader Group believes in equal opportunities and people's development. The broader Group policy is to appoint staff entirely on the basis of merit and fully in accordance with current legislation. The diversity policy adopted by the broader Group reinforces the commitment to providing equality and fairness to all employees and not providing less favourable facilities or treatment on the grounds of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy, maternity, race, ethnic origin, nationality, religion, beliefs or sexual orientation.

The broader Group aims to competitively remunerate its employees in both salaries and benefits and to accommodate flexible working requests wherever possible. In addition to the anonymous employee survey and meeting with the Chair of the Board, employees have regular one-to-one sessions with their immediate line manager and annual reviews where development plans are discussed to ensure individuals' objectives are aligned to the business strategy and to improve levels of employee engagement.

The broader Group has a commitment towards preventing slavery and human trafficking throughout our supply agreements: the Group endeavours to adopt a zero tolerance approach towards slavery and human trafficking and expects all those in our supply chain (and contractors) to comply with the Modern Slavery Act 2015.

Environment

The Directors promote the consumption of resources in a manner that fosters the long-term sustainability of the business and the environment in which it operates and are conscious of the requirement to monitor these activities. In the future the Group is assessing how to introduce an ESG approach to companies that wish to list on AQSE.

Although the broader Group has a small number of personnel and associated office space, it recognises that it contributes directly to carbon emissions through its consumption of energy, waste and water; through staff travel and, indirectly, through its consumption of supplies and equipment including office hardware.

The broader Group is working towards reducing its carbon footprint through the following initiatives:

- Motion-activated lights in the main office space and hallways;
- Active recycling of plastics, cardboard, paper and tins in the office space;
- Coffee capsule recycling;
- Battery recycling for employees' personal batteries (which they are encouraged to bring into work for recycling) as well as any batteries from office equipment;
- Recycling of obsolete office electronic equipment;
- Displaying meeting material on projectors rather than printing individual copies;
- Supporting remote working, thereby reducing carbon emissions from employee commutes and a reduction in plastic waste as food can be prepared at home;
- Of the 2 data centres used by Aquis, one is powered by 100% renewable energy whilst the second is striving to be "greener". The operational statistics demonstrate positive and significant improvements have been made;
- The building electricity provider for the Aquis office will be switching to an energy supplier in October 2020 that obtains energy from 100% renewable electricity and carbon neutral gas;
- Aquis Exchange Europe SAS is based in an office that can be travelled to by train rather than by aeroplane, and this mode of transport is used by all employees travelling to and from the French subsidiary.
- Reduction of paper for Board and Committee meetings by using electronic board books.

Suppliers

The broader Group has identified key suppliers that include suppliers of office hardware and consumables, as well as external advisers such as auditors, brokers, legal advisers and PR consultants. The broader Group seeks the independent and experienced view of its key advisers on various matters as and when required, and the broader Group seeks to establish long-term business relationships to benefit the business by engaging with suppliers lawfully and selecting them fairly and responsibly, whilst maintaining and enhancing the relationship through good faith and professionalism.

Regulators

Aquis Exchange PLC and NEX Exchange Limited (now branded as Aquis Stock Exchange), are directly authorised and regulated by the FCA and fully comply with the relevant rules and guidelines in all respects. The broader Group takes an open and co-operative approach to the regulator and positively embraces the FCA's 11 principles of business. The broader Group submits regular returns to the FCA, and employees whose roles encompass compliance activities are encouraged to attend regular external presentations and workshops arranged by the FCA on topical issues, and also receive regular professional update training. All new and existing employees and advisers are made aware of the FCA's principles of business, and undergo training required by finance professionals working at an equities exchange group. The broader Group arranges regular compliance assessments to provide assurance that the broader Group is meeting the requirements of the regulator.

Similarly, Aquis Exchange Europe SAS is regulated by the ACPR and the AMF where the same co-operative compliance principals are applied with the objective of establishing a strong relationship with the French regulators.

The wider community

Aquis has been involved in a number of charitable and community enhancing initiatives throughout the year and employees have shown their desire to make a difference.

Aquis is proud to have begun the partnership process with a UK University as part of a two-thirds government funded Knowledge Transfer Project ("KTP") that will involve industry-led research and development on Artificial Intelligence for trading platform surveillance alerts that will promote an efficient and accurate market abuse monitoring system. Current surveillance systems are deterministic, handcrafted, generate a high percentage of false positive alerts and run a high risk of human fatigue and/or boredom. Consequently, real market abuse events may be missed when analysing a large number of false positives. As part of our mission to improve transparency in financial markets, Aquis will partner to publish research papers on machine learning techniques that will mitigate human error in detecting fraudulent trading practices that harm the integrity of, and trust in, financial systems that are critical for the modern economy. Aquis is proud to have regulator and consumer encouragement to embark on such a project, and as part of our mandate to strive for innovation, we are excited for what the future holds for machine learning and artificial intelligence in the trading industry.

Principal risks and uncertainties

The identification and management of risk is an integral part of the execution of Aquis' strategic vision and operations. The below provides an overview of the principal risks facing the Group:

Strategic Report continued

STRATEGIC RISKS

Risk	Risk Description	Mitigation
Economic landscape	To the extent that global, European or UK economic conditions weaken, in particular due to the COVID-19 pandemic, the broader Group's trading volumes and other businesses may be negatively affected, resulting in lower revenues or increased costs. In addition, potential adverse effects of the UK's exit from the EU may arise over the course of 2020 or in the future.	Aquis derives revenues from both fee and contractual annuity-based streams, which is a natural hedge for the cyclical market driven trends. Whilst there is greater political and economic clarity in the UK post the December 2019 General Election, uncertainty about how pan-European trading will evolve post Brexit will remain throughout 2020. The Group has, however, positioned itself to be able to provide equity trading facilities across Europe to all its clients through its MTF subsidiary in France, Aquis Exchange Europe SAS, that has full regulatory approval from the ACPR to allow the Group to continue to operate as an MTF. COVID-19 may have a material negative effect on the economic landscape; however, the short-term offset to this risk is that markets are likely to remain volatile which may result in higher than usual volumes and increased revenues for Aquis.

Risk	Risk Description	Mitigation
Legal/Regulation	The broader Group operates in highly regulated markets and is required to maintain sufficient regulatory capital and comply with all legal and regulatory requirements necessary to operate the broader Group's business. All three group entities hold regulatory licences and must hold capital at each subsidiary level. There is the risk that current regulation or future changes could have an adverse effect on the broader Group. Possible impacts may be (but are not limited to): • Sustained downturn in revenues could put the regulatory capital at risk; • One of the group entities could be subject to a fine or a lawsuit which may draw on the entities' finances • Change in regulation may increase costs for the broader Group or require unanticipated investments • Inability to meet regulatory requirements could result in a licence being withdrawn and prevent the group entity from operating its core business In addition, changes in tax law may result in an increase in the overall tax burden of the broader Group which could have a materially adverse effect on the broader Group's business.	Senior management consistently monitor regulatory developments which are discussed and actioned at ARCC meetings and engage regularly and directly with regulators. The Board reviews a quarterly dashboard that incorporates the broader Group's behaviour and statistics in relation to regulatory obligations. The Board also places considerable importance on having competent staff and advisors to help manage legal and regulatory risk. The Board considers regulators as key stakeholders in its stakeholder engagement and endeavours to maintain positive working relationships with the regulators for each underlying entity. In addition, the broader Group currently has sufficient excess regulatory capital to deal with changes in regulation. Changes in regulation are usually accompanied by a period of consultation that allows market participants to provide feedback before changes are made and a further period to prepare for change once changes in regulation are determined. The broader Group consistently reviews the risks associated with possible changes in tax legislation.

Strategic Report continued

Risk	Risk Description	Mitigation
Competition	The broader Group operates in a highly competitive and global industry. The principal competitors to the trading business are the national exchanges, other pan-European MTFs / Recognised Investment Exchanges (RIEs) which currently charge customers on a per transaction model and accept both passive and aggressive market makers. These exchanges have significant market share and could move to copy Aquis' subscription fee model and/or differentiate between passive and aggressive trading. Other competitors to the exchange business are ad hoc OTC trading and Systematic Internalisers ("SIs") which operate off-exchange models and make money through spreads. They are currently not defined as trading venues and benefit from not having to make prices at the same tick levels as MTFs and exchanges, which can make their prices more attractive. New technologies such as distributed ledger technology are emerging but have yet to gain ground in trading, clearing and settlement of equities.	Aquis' competitive differentiation is underpinned by its subscription-based model and lack of aggressive trading. This is hard for incumbent exchanges to replicate without significantly impacting their own revenue models which have always been based on a per transaction basis and on charging significant data fees to participants who trade aggressively. Whilst the effects of competitor behaviour can never be fully mitigated, the Company has consistently increased its market share since trading through senior management initiatives to reduce this risk which include: consistent monitoring of competitor activity and, maintaining close customer relationships so as to understand their evolving needs, and the acquisition of a primary listing business thereby gaining RIE status. A new tick size regime under MiFIR should have been applied to systematic internalisers in March 2020. This has now been delayed until June 2020, but it will force SIs to follow the same tick size regime as other trading venues. This is likely to reduce the attractiveness of SI flow. As a disruptive technology firm, Aquis remains vigilant about changing technologies and how it might embrace them to further its business model.
Intellectual property and data protection	The Group is reliant on copyright, trade secret protection, database rights and confidentiality and licence agreements with its employees, clients and others to protect its intellectual property rights. The broader Group is subject to a number of laws relating to privacy and data protection, including the UK's Data Protection Act 1988 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 and the EU General Data Protection Regulation (GDPR).	The Group has taken steps that are consistent with industry practice to reduce these risks by establishing controls to protect the confidentiality and integrity of customer information, and these controls are consistently reviewed for their effectiveness at quarterly ARCC meetings.

OPERATIONAL RISKS

Risk	Risk Description	Mitigation
Technology	The operation of the Group is critically reliant on the smooth and efficient functioning of technology. Technological failures would negatively affect clients and the Group's ability to deliver on performance obligations. It could also result in regulatory scrutiny or fines or requirements for further investment. Failure to protect Intellectual Property could mean that competitors gain access to Aquis' technology or make Aquis susceptible to external infiltration. This could adversely affect the firm's financial and competitive situation.	A defining feature of the Aquis business model is its high calibre, in-house built technology. The technology was built and is maintained by highly skilled employees. Aquis actively seeks to retain the employees through working practices and remuneration policies and to continually enhance the technology to meet client requirements. The Company's key infrastructure, development and operational activities are prioritised accordingly, and resources are closely and consistently monitored and reviewed with the aim to ensure smooth functioning of technology at all times. Aquis technology is securely maintained to protect it from unauthorised access with full back up and version control if remediation is required. Aquis has system control features that are regularly tested to protect data and IP. The broader Group maintains a Disaster Recovery plan that encompasses input from all departments and is continuously monitored and reviewed by appropriately experienced individuals. The comprehensive back up and contingency plans in place are tested regularly. The Board reviews a quarterly dashboard that incorporates technology performance statistics and operational resilience.

Strategic Report continued

Risk	Risk Description	Mitigation
COVID-19	There is a risk that the COVID-19 pandemic could negatively impact personnel being able to operate the exchange. There are also risks to clients, liquidity providers, suppliers, markets and the economy in general. It is possible that governments or regulators could impose extraordinary measures such as closures of the market for a prolonged period. Remote working practices across the industry may slow overall technology programs at client and supplier organisations which may have a longer-term impact on Aquis. This could manifest in new members not joining Aquis in the anticipated timelines or slower adoption of new products developed by Aquis.	The broader Group has established and implemented a remote working plan and asked staff to work from home prior to the full restrictions being in place. This has mitigated against potential resource shortages. The remote working plan was tested and verified prior to COVID-19 restrictions. All employees are now working from home and the broader Group will manage its business remotely until the situation changes. The Company believes it can operate the exchange remotely for a prolonged period. The majority of the Company's clients and liquidity providers have established and communicated their plans which generally consist of split teams (2 or 3 teams) operating from office, or working from home, and in certain cases, a separate disaster recovery site. Key suppliers have also adopted disaster recovery procedures. All customers and suppliers currently appear to be working normally despite the restrictions. Equity markets have been very volatile and experienced extremely high volumes. There is no certainty how long this situation will last; however, to date the Company has not experienced any outages or delays and the system has more than sufficient capacity to operate the market. Temporary closures of the market have been suggested in the press but the market has proved that it is able to function under the extraordinary circumstances to date. Aquis is not overly reliant on new members to achieve its growth plans. The main source of anticipated growth in trading is from the increase in volumes of current customers.

Risk	Risk Description	Mitigation
Cyber security	The broader Group's networks and those of its third-party service providers may be vulnerable to security risks, cyber-attack or other leakage of sensitive data. This could cause outages of the market, create possibilities for attacks which hold Aquis to ransom, cause unintended movements of the company finances or generally create reputational and financial risk.	The Board reviews a quarterly dashboard that incorporates cyber technology monitoring. Regular penetration tests are undertaken by a third party. Internal exercises to alert employees to the possibility of phishing emails are planned regularly. The MTF has "kill" switches in place which are intended to restrict clients if rogue behaviour is evidenced. The broader Group takes precautions to protect data in accordance with applicable laws. Extensive risk management protocols are adopted in the IT control framework so as to prevent, detect and respond proactively to cyber security attacks. The comprehensive back up and contingency plans in place are tested regularly.
Key management personnel and employees	The broader Group has a relatively low headcount and hence is exposed to key person risk. The broader Group's future development and prospects depend on its capacity to attract and retain key personnel.	The broader Group has established emergency staffing plans. The ARC Committee assesses key person risk on a quarterly basis. Aquis employs a number of strategies to ensure the broader Group is able to attract and retain a high calibre of talent. The broader Group employs a rigorous recruitment process and offers competitive salaries and benefits, whilst promoting a culture of high performance and inclusion from the top. The broader Group continues to position itself as a dynamic and attractive employer for top talent to Board members and junior employees alike.

Strategic Report continued

Risk	Risk Description	Mitigation
Client concentration	The nature of financial markets is that the majority of volumes are undertaken by a small pool of market participants. The Group revenue is therefore dependent on a concentrated number of customers and significant change to one customer's flow could negatively impact revenues.	The Company initially concentrated on connecting to large investment banks, brokers and is now broadening its client base to reduce client concentration but recognises that volumes from smaller participants cannot completely offset the volumes from larger ones. The Company seeks to maintain positive relationships with all current and future members and to be vigilant for change at any client. The broader Group has diversified its business activities to include technology sales, data, market gateways and now primary exchange business through the acquisition of AQSE.

Risk	Risk Description	Mitigation
Liquidity provision concentration	In most trading venues globally, there is considerable symbiosis between the venue and the market makers on which the venues rely to make continuous prices and enhance liquidity. In Europe, where there is significant competition between trading venues, the ability to attract good liquidity to the venue is critical. It is even more important for new trading venues, which must build liquidity from scratch and differentiate themselves to attract and retain it. Market makers themselves have differing business models and trading strategies; as a result, they may be attracted to different types of venues depending on the value proposition. Aquis has a highly differentiated business model to the incumbent platforms, both dramatically reducing the cost of trading and also not permitting aggressive trading by market makers. This has been a driver of Aquis' success to date. The number of market makers that have trading models currently aligned with Aquis' business philosophy is even more concentrated than on the main markets. Therefore, Aquis has always relied heavily on a small number of key market makers to support liquidity and a wider group to supplement it. These market makers have not always been the same organisations and have changed over time. Nonetheless, it is a risk that if a key market maker decides to change its business model or philosophy it would cause a short-term disruption in the total liquidity provided and could impact Aquis' ability to differentiate itself through the prevention on non-aggressive trading flow.	This risk is mitigated internally through a number of actions and externally through the likely evolution of the structure of the European equity market. Internally, management are working to maintain a close relationship with all market makers to ensure that there continues to be positive synergies for all parties. Aquis is also actively seeking to continue to grow membership and diversify its liquidity providers. As Aquis' market share increases further, more natural liquidity should be attracted thus diluting the concentration risk away from a small number of market makers to a broader set of investor flows. Externally, the market share growth that Aquis has achieved to date is a strong indication of the benefits to its members and market makers and makes it likely that natural liquidity will continue to grow, making the Aquis marketplace deeper and more attractive for all counterparties. Additional market makers are likely to follow over time as they should be incentivised to adapt or create new models that capitalise on Aquis' value proposition and interaction with a wider set of trading flows. The number of market makers in European equity markets is still relatively small today, reflecting the recent need to invest much more in technology and regulatory oversight. However, as the effects of MiFID II, particularly with its mandate for best execution, continue to restructure the European equity markets, the whole market, including that for liquidity provision, will become more competitive and therefore the concentration of liquidity providers is likely to reduce.
Supplier risk	The Company is exposed to the failure of a key supplier. Examples include loss of data supplied to Aquis which is an important input into the trading platform. This may impact the ability to undertake market surveillance and cause more manual operations to be put in place which can only be sustainable for a short period of time.	Aquis has back up plans in place for key suppliers and has agreed procedures in place for manual processing and thresholds for managing this when necessary.

Strategic Report continued

FINANCIAL RISKS

The Group's current assets comprise cash and liquid resources including trade receivables arising directly from its operations. The main financial risks are capital, credit, liquidity and foreign currency risks. The Group actively monitors the balance sheet and risks without the use of any financial derivatives.

The Group is still loss making but making good progress towards breakeven but it remains a possibility that this could be impacted if any of the risks outlined above were to eventuate. Financial management risk disclosures have been made in Note 5 of the Group Financial Statements accompanying this report.

Viability statement

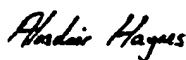
The Directors have undertaken a detailed review of the broader Group's prospects, taking account of the broader Group's current position and principal underlying business risks and its prospects for the period 2020 - 2023. These include considering the impact of a material slowdown in economic or market volumes due to COVID 19 or other factors. The Directors consider this to be an appropriate period considering the target business and revenue growth, and the objective to reach breakeven and attain profitability during this period.

As a result of Aquis Exchange PLC's Listing on the AIM market in June 2018, the equity capital of the Company was increased with the objective of having sufficient resources for the broader Group to reach profitability and to expand its business. Overall, the Company still maintains a strong capital position.

On the basis of the Group's progress during 2019 where the business has met, and in certain areas exceeded, its goals and taking account of its ability to execute successfully its principal strategic objectives and operating goals, the Directors have a reasonable expectation that the broader Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

This assessment has concentrated in particular on the key differentiating factors that the broader Group has established, the quality and resiliency of the Group's technology, the brand and market position, and the reputation and quality of the experience of its key personnel resources.

This Strategic Report was approved by the Board of Directors on 15 April 2020 and is signed on its behalf by:



Alasdair Haynes
CEO



Jonathan Clelland
CFO

Directors' Report

The Directors of Aquis Exchange PLC are delighted to present their report to shareholders and other stakeholders, together with the audited consolidated financial statements for the year ended

31 December 2019 with comparatives for the year ended 31 December 2018.

Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Executive Directors	Non-executive Directors
Alasdair Haynes CEO Appointed to the Board March 2012 Jonathan Clelland CFO Appointed to the Board October 2012	Niki Beattie Chairwoman Appointed to the Board January 2013 Richard Bennett Senior Independent Director Appointed to the Board March 2014 Mark Spanbroek Appointed to the Board March 2013 Mark Goodliffe Appointed to the Board March 2018 Glenn Collinson Appointed to the Board January 2019 Resigned March 2020

Directors' Appointment, Removal and Duties

The Board of Directors has the authority to appoint and remove a Director. Directors' appointments are subject to shareholder approval annually.

The Company has recruited Directors that it considers have the knowledge, skills and diversity of experience expected of a director in that role including specialist financial, accounting and legal knowledge.

Directors have continued to act, throughout the year, in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of all its stakeholders.

The Directors recognise that they must avoid any situation where they have or can have an interest that directly or indirectly conflicts with or may conflict with the Group's interests. Directors are required to confirm at every Board meeting, if applicable, the nature and extent of any interest they may have in any transaction or arrangement to which the Group is or may be a party.

In addition, the Directors have exercised independent judgement throughout the year and can confirm that they have not accepted any benefit (for example gifts or inducements) from third parties arising from their position as a director which were intended to induce the director to act in a certain way.

Board Committees

The Aquis Board has established two committees: The Audit, Risk and Compliance Committee ("ARCC") and the Nominations and Remuneration Committee ("N&RC").

The ARCC has been chaired by Mark Goodliffe since June 2018. Mark Spanbroek is the other committee member. Mark Goodliffe and Mark Spanbroek have considerable accounting experience, and both have previous Audit Committee experience which includes financial reporting and internal control reviews.

The ARCC is responsible for reviewing a wide range of matters, including reviewing the annual financial statements, oversight of the relationship with the external auditor, internal audit reports, compliance submissions, MLRO reports, risk assessments and ICAAP assessments. Minutes of ARCC meetings are tabled at subsequent Board meetings and a summary review of the ARCC's activities is presented to the Board by the chair of the ARCC on a quarterly basis.

The management team is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of management and employees are understood and adhered to throughout the Group. The ARCC supports and provides guidance on this area. This is achieved through adherence to the Group's core values, annual compliance training and whistleblowing policy.

The ARCC meets at least 4 times per year. The ARCC advises the Board on the appointment of external auditors and on their remuneration for the audit work, and discusses the nature, scope and results of the audit with the external auditors.

The ARCC has established a comprehensive assessment of the internal and external risks which could adversely affect the Group. The risks include all issues identified through the internal audit assessments. These risks are reviewed quarterly by the ARCC.

The N&RC is chaired by the Senior Independent Director Richard Bennett. The other members of the N&RC during the year were Niki Beattie and Glenn Collinson. In March 2020 Glenn Collinson stepped down from the Committee. The Executive Directors and other senior personnel may be invited to attend meetings when appropriate to provide advice.

The N&RC is responsible, inter alia, for assessing the skills of the Directors, succession planning for the Board, its Committees and Executive Committee, identifying and selecting candidates as required as well as assessing and reviewing the remuneration packages of the Directors and other members of the Executive Committee. It

Directors' Report continued

also approves the high-level remuneration packages for all other employees. It makes proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. All Committee decisions on these matters are recommended to the Board for approval.

Minutes of N&RC meetings are tabled at subsequent Board meetings and a summary review of the N&RC's activities is presented to the Board by the chair of the N&RC on a quarterly basis.

The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board.

The N&RC supports the ongoing development of the Board and the Executive team to ensure that the Group retains and recruits the best talent for its needs and supports the Board in its work to secure the long-term health of the Group and its strategy for success in a fast-changing world.

Governance Summary

Directors' Board and committee attendance during 2019 is summarised below:

Director	Board	ARCC	N&RC
Niki Beattie	4/4		5/5
Alasdair Haynes	4/4		
Jonathan Clelland	4/4		
Richard Bennett	4/4		5/5
Mark Spanbroek	4/4	4/4	
Mark Goodliffe	4/4	4/4	
Glenn Collinson	4/4		5/5

Results

The Group made a loss before interest, depreciation, amortisation and taxation for the year of £199k (2018: EBITDA loss of £2.3 million after adjusting for the effect of IFRS 16: Leases for the ease of comparability).

After taking into account interest, depreciation and amortisation the Group made a loss before tax of £1.1 million (2018: loss before tax of £3.9 million after adjusting for the effect of IFRS 16: Leases for the ease of comparability).

There were no discontinued operations in the current or previous year.

Note: The Group Financial Statements for prior years have not been restated to reflect the new IFRS 16: Leases standard.

Dividend

The Directors do not recommend the payment of a dividend.

The remuneration of the Executive Directors is designed to attract, motivate and retain Directors of the calibre necessary to effectively execute the strategic objectives of the Group and to enhance shareholder return. The remuneration packages are designed to reflect the success of the Group's performance while maintaining a balance between short- and long-term performance and reward.

In addition to the two Board committees, Aquis has created an Executive Committee (Exco) to help facilitate day-to-day administration management. Exco consists of the Chief Executive Officer, Chief Financial Officer, Head of Sales and Head of Regulation.

Strategy

The principal strategic objectives of the Group are to enhance shareholder value through establishing a stable and sustainable profitable business based on growing the MTF equity exchange and technology licensing activities, as well as capitalising on the synergies of the newly acquired NEX Exchange Limited ("AQSE").

Future developments

The Group has made significant progress in both its exchange and technology licensing activities during 2019 despite a challenging market environment.

Third party analysis shows that Aquis Exchange is consistently offering deeper liquidity at the best price than many other competing platforms. The potential for new customers continues to increase as the trading opportunities on the Aquis Exchange become more widely recognised, as does the opportunity for increased trading volumes. Several firms who are focused on best execution have already increased their activities on Aquis Exchange and it is anticipated that others will follow during 2020.

With a proven business model and greater political and economic clarity in the UK post the December 2019 General Election, the Board considers that it is important to invest to support the long-term success of the business. The Company intends to further invest in sales resources and technology from 2020, to take advantage of the scope for significant long-term sales and value creation for shareholders.

Licensing activities continue to grow across a range of asset classes as the Group's brand and reputation strengthens and regulatory changes generate new requirements for investment banks, brokers and trading companies. In addition, the continued growth in the Group's exchange activities helps promote the quality of the technology and assist in generating technology licensing opportunities internationally and across different asset classes through Aquis Technologies.

Following the announcement made on 5 July 2019, the Company received approval from the FCA in March 2020 to purchase 100% of the share capital of NEX Exchange Limited, now branded Aquis Stock Exchange Limited ("AQSE"), for £1 plus £2.8 million worth of current working capital, the majority of which comprises regulatory cash. The acquisition is in line with the long-term vision of Aquis which is to be "The leading technology driven exchange services group", adding primary markets capability to the growing secondary markets and technology licensing activities capability with an established issuer base for a cost-effective capital outlay.

Whilst management had not anticipated this strategic goal to be met so early on in the life of the Group, it was always the intention of the Directors to establish RIE status, to enable listings in the medium to long term and the Directors consider it a great result to have been achieved at this juncture. The original strategy was to concentrate on the secondary market and licensing activities, and then in due course to establish primary market capabilities; however, acquiring AQSE now offers Aquis the opportunity to achieve this goal ahead of schedule.

The Directors are also conscious of the fact that the acquisition also offers a hedge against any adverse regulatory developments which may occur as the impact of Brexit unfolds during the course of 2020, in particular in the event that equivalence status be provided to RIEs and not to MTFs, which would have had a materially adverse effect on Aquis pre-acquisition.

It should be noted that whilst the announcement was made in 2019, approval from the FCA only occurred post Financial Year 2019 year-end and as such the results of AQSE have not been consolidated in the Group Financial Statements accompanying this report but will be for periods commencing 1st January 2020.

Audit information disclosure

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware, and the Directors have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

Pension obligations

The Directors can confirm that at 31st December 2019 there were no qualifying third-party indemnity provisions or qualifying pension scheme indemnity provisions, for the benefit of Directors of the Group or directors of associated companies and that such provisions were not in force during the financial year.

Political contributions

The Directors can confirm that no political contributions were made during the year.

Post balance sheet events

In March 2020 the Financial Conduct Authority ('FCA') approved the acquisition of 100% of the share capital of NEX Exchange Limited ('AQSE') by Aquis Exchange PLC for a consideration of £1 (plus current working capital of £2.8 million). This is a non-adjusting post-balance sheet event since control did not transfer until FCA approval.

The COVID-19 pandemic has caused considerable health and economic uncertainty and significant market volatility and volumes. The Directors have assessed this as a non-adjusting post balance sheet event given that, at the balance sheet date, few cases had been confirmed and the virus had only just been identified. It is possible that this may have an adverse effect on the Group; however, at this stage the Directors are unable to quantify what the effect could be on the Group's activities.

The Directors can confirm that there were no other significant post-balance sheet events.

Research and development

The broader Group is committed to continue to invest in research and development to enhance the quality, efficiency, effectiveness and breadth of its technology. The Group has made significant progress through the course of the year in enhancing the core matching engine and introduction of new order types, as well as the success of the Market at Close order type. In addition, the Group, through Aquis Technology, has delivered and/or been mandated to deliver, technology solutions to clients across a number of different asset classes. This progress reflects the quality and market reputation of the Group's technology which is underpinned by the significant investment in research and development.

Subsidiary companies / Associates / Branches outside the UK

The Company has established a subsidiary Company in France: Aquis Exchange Europe SAS. This subsidiary Company received regulatory approval to operate as an MTF from the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in March 2019. It is the intention that this subsidiary company will drive the European growth aspirations of the Group and positions the Group well to accommodate any post Brexit outcome.

Aquis does not have any other associate companies or branches outside the UK.

Share purchases

The Directors can confirm that they made no acquisitions of Aquis shares during the course of the year.

Directors' Report continued

Share Capital Structure

Aquis Exchange PLC listed on the AIM market of the London Stock Exchange on 14th June 2018. The Company has 27,149,559 ordinary shares of 10p each in issue. The shareholders with a significant holding (more than 3.0%) in Aquis at 31st December 2019 were as follows:

XTX Markets	9.6%
Mr R Ricci	7.9%
Invesco Perpetual Asset Management	6.7%
Mr A Haynes	5.7%
Kendall Capital Markets	5.0%
Miton Asset Management	4.4%
Banca Akros	4.0%
Mr G Roveda	3.9%
Mr A Mendelowitz	3.3%
Rathbone Investment Management	3.2%
Schroder Investment Management	3.0%

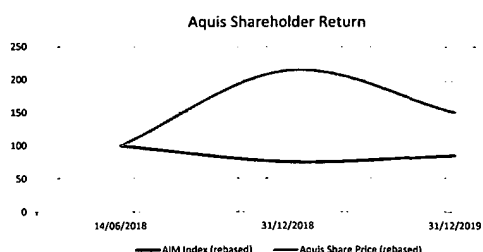
At the 31st of December 2019 there were no securities carrying special rights and no restrictions on voting rights. At 31st December 2019, 2,127,551 shares representing 7.8% of the total issued share capital held by the Directors were restricted and not in public hands.

The Company operates an Employee Share Incentive Plan (SIP). The voting rights of the shares held in the SIP trust are managed and controlled by the SIP trustee.

There are no significant agreements that would alter or terminate on a change of control of the Company and no agreements with directors or employees for compensation for the loss of office or employment that occurs because of a successful takeover of the Company.

Shareholder return

Since the IPO in June 2018, Aquis shareholders' return as at 31 December 2019 amounts to 50% compared to the AIM market of the London Stock Exchange which reported a negative return for the same period of (15)%.



Professional development programs

The Company supports the continued development of the Directors. This is achieved through attendance at in-house presentations.

Corporate Governance

The Board gave considerable thought to the UK Corporate Governance Code (the "Code") recommendations on stakeholder engagement during the year. It focused on identifying all stakeholders for the Board to engage and focused its attention on shareholders and employees. Further information is set out in the Strategic Report. A specific aim was to further embed the cultural values within the organisation during the year.

The Directors have implemented appropriate measures (having regard to the current stage of development of the Group) to comply, so far as practicable, with the Code.

The confirmation of the Code adopted by the Group is available on the Company's website www.aquis.eu

Employees

Details on the Company's approach to employee engagement and human rights and diversity is given in the Strategic report on page 12, and information on the Share Incentive Plan (SIP) can be found in the N&RC report.

Diversity policy

The broader Group has adopted a formal diversity policy. This policy reinforces the commitment to providing equality and fairness to all the broader Group's employees and not providing less favourable facilities or treatment on the grounds of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy, maternity, race, ethnic origin, nationality, religion, beliefs or sexual orientation. The broader Group is opposed to all forms of unlawful and unfair discrimination and is committed to recruiting, developing and promoting candidates based purely on the merits of the individual.

Environment

The Directors recognise the broader Group's responsibility to consume resources in a manner that ensures the long-term sustainability of the business and the environments in which it operates in.

Although the broader Group has a small number of personnel and associated office space, the broader Group recognises that it creates carbon emissions from energy, waste and water in the small offices as well as the data centres, staff travel and indirectly through the supply of our office hardware. Details of the initiatives that the Group has adopted in its efforts to reduce the impact of this carbon footprint is included in the Strategic Report on page 12.

Principal risks and uncertainties and risk management policies and objectives

The principal risks and uncertainties of the broader Group, together with mitigating actions taken, are detailed in the Strategic Report from page 14. The principal risks and uncertainties predominantly include the reliance of the broader Group on key personnel, as well as client and liquidity provision concentration risk, the risk of technology failure and regulatory approval and associated regulatory capital requirements, as well as any adverse effects resulting from the COVID-19 pandemic and potential adverse effects of the UK's exit

from the EU that may arise during the 2020 transition period and beyond.

In addition, the financial risk management disclosures have been included in Note 5 in the Group Financial Statements accompanying this report.

Financial reporting process – internal control and risk management systems

The Group has established review processes, internal controls and risk management systems in relation to the financial reporting process.

Aquis has recruited a Board with the relevant financial and other complementary skills to exercise oversight over the reporting, assessment and use of the Group's financial information and to provide robust challenge to management. The principal committee which oversees this area is the ARCC.

The exchange activities of Aquis have low risk levels, there are no transaction risks and credit risk is low given that the clients are large financially secure financial institutions who are invoiced monthly; however in order to ensure that Aquis reviews and manages the business risks effectively, management maintain a risk register which addresses all the identified business risks which is reviewed and assessed by the ARCC on a quarterly basis.

The financial statements are subject to external audit before being reviewed and approved by the Board prior to shareholder approval. Half yearly reports are subject to review by the external auditors.

Aquis prepares monthly management accounts and a quarterly dashboard which is presented to the Board. The management accounts consist of actual monthly profits or losses compared with Budget, Balance Sheet, variance commentary and forecast regulatory capital surplus and cash flow for the rest of the calendar year. The quarterly dashboard includes an analysis of operational statistics and analyses, compliance and regulations developments, marketing initiatives and financial performance reviews and projections.

All new exchange members, software licences and expenditure are authorised by the Chief Financial Officer (CFO). New exchange members or clients of Aquis Technology are subject to Know Your Clients (KYC) and Anti-Money Laundering (AML) checks by the Aquis compliance department. All software licences are reviewed and approved by the CFO who also authorises all client invoices.

Aquis utilises an external provider for the internal audit function. The ARCC approves the departments and or functions that are audited. All key operational departments and functions are audited within a 3-year period.

Any issues raised by the external audit team will be communicated to, considered by and logged by the ARCC. The external and internal audit team are granted access to ARCC and Board papers and any issues identified by the external audit team will be communicated to the internal auditors by the CFO.

Aquis has established clear Disaster Recovery plans which are tested regularly. The plans focus on the exchange functionality and Aquis' ability to ensure trading activities can continue under any circumstances and providing support as required for technology clients. Initiation of the disaster recovery plan is authorised by either the CEO or the CFO. The crisis management plans include the ability to manage activities from home and or the requirement to take on new premises (temporarily or if necessary, permanently) and include the ability to access all systems including Aquis' financial systems.

Access to IT networks, equipment, storage media and program documentation is restricted to authorised individuals. All Aquis information is stored in secure dedicated data centres. Access to the data centres is restricted. All information is password controlled and the IT infrastructure department monitor system usage. Access to IT systems, programs, master data, transaction data and parameters and to processing in web-based or web-enabled financial systems is restricted and password controlled.

Aquis has clearly defined whistleblowing policies which are set out in the Staff Handbook which is distributed to all employees when they join the broader Group. The whistleblowing policies are also included in the compliance training program which all employees undertake annually. These policies include escalation of problems and concerns to senior management and the monitoring of how these are addressed. The policies provide clear guidance on reporting concerns including if required to the Chair. Alternatively, employees can report concerns directly to the FCA.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. 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 IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to

Directors' Report continued

understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and with regard to the Group financial statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and the Company's performance, business model and priorities.

Each of the Directors, whose names and functions are set out on page 23 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Strategic report contained within this document includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group and the Company faces.

The Director's Report was approved by the Board of Directors on 15 April 2020 and is signed on its behalf by:



Alasdair Haynes
CEO



Jonathan Clelland
CFO

Audit, Risk and Compliance Committee Report

This report is intended to give an overview of the role and activities of the Audit, Risk and Compliance Committee ("ARCC") in assisting the Board to fulfil its oversight responsibilities relating to systems of internal control and risk management, the independence and effectiveness of the external auditor and the integrity of the Group's financial statements. It details the activities, discussions and decisions that enabled the ARCC to fulfil its responsibilities effectively during the financial year ended 31 December 2019.

Composition and meetings

The ARCC members as at 31 December 2019 were Mark Goodliffe and Mark Spanbroek. The ARCC has been chaired by Mark Goodliffe, a qualified chartered accountant (ICAEW) and independent non-executive director, since June 2018. The Group considers that the ARCC members' qualifications and experience enable it to comply with the audit committee composition requirements.

The Chief Executive Officer, Chief Financial Officer, Group Head of Compliance, Group Head of Surveillance and Group Financial Accountant are standing invitees to all ARCC meetings.

The role and responsibilities of the ARCC

The ARCC was created in 2013 and the Terms of Reference ("ToR") of the ARCC comply with the AIM market listing requirements. The Board of Directors undertakes an annual evaluation which includes an assessment of the ARCC performance.

The principal role and responsibilities of the ARCC are:

- Financial reporting: review of the financial statements and oversight of the relationship with the external auditors and the external audit process;
- Internal audit: monitoring and reviewing the effectiveness of the Group's internal auditors and internal controls, including planning over a 3-year period the internal audit schedule and annual audit reviews;
- Risk assessment: quarterly risk assessment assessing all internal and external business risks and mitigation thereof; and
- Compliance: quarterly compliance review.

Further details on the functions and responsibilities of the ARCC can be found in the Corporate Governance Statement available from the Company Secretary or in the corporate governance section of the Group's website at: <https://www.aquis.eu/investors/corporate-governance/>.

2019 Activities

The ARCC maintains a formal agenda which ensures that all matters for which the Committee is responsible are considered at each meeting. The agenda for each meeting during 2019 was determined by the key events of the annual financial reporting cycle, the risks identified by the Committee and the standing items under the ToR. The Committee concentrated on maintaining and enhancing the relationship with the external auditor, including monitoring their independence and effectiveness and reviewed the scope of the external audit and agreed the key areas of focus with the external

auditor. PricewaterhouseCoopers LLP ('PwC') were appointed as external auditors in August 2018 following an audit tender process. The intention is to review the appointment in 2-3 years, and if the ARCC deems appropriate, the audit will be put to tender again. PwC does not provide non-audit services to the Group except for the CASS audit. The PwC audit partner for both the current and preceding audit is Mike Wallace. In addition to maintaining the relationship with the external auditor, the ARCC discharged its responsibilities by / through the following:

- The Group appointed Grant Thornton as its internal auditor in 2013. The ARCC reviewed all internal audit reports in detail and meets Grant Thornton annually to assess the quality and effectiveness of the internal audit process and management responses to the internal audit recommendations;
- Discussed the implications and impact of the implementation of the new accounting standard IFRS 16: Leases.
- Reviewed and monitored principal internal and business risks and associated mitigative management actions on a quarterly basis;
- Assessed the ICAAP annually;
- Considered operational risks, cyber security risks and technology resilience;
- Reviewed and monitored compliance, surveillance and regulation developments on a quarterly basis; and
- Monitored preparations for Brexit, which included the successful setup and integration of the French subsidiary company, Aquis Exchange Europe SAS.

Priorities for the 2020 financial year will include:

- Continued monitoring of key processes such as business continuity planning and risk assessment, disaster recovery and cybersecurity programmes;
- Monitoring the progress of the integration of the newly acquired business, Aquis Stock Exchange Limited (currently NEX Exchange Limited) across all departments;
- Monitoring the progress of any management actions recommended by PwC within their letter to Those Charged with Governance;
- Continuing to assess the impact of developments in accounting standards and the related implementation;
- Continuing to monitor compliance, surveillance and regulatory developments;
- Continuing to monitor progress on the key projects of the Group;
- Continuing to monitor the effect of the COVID-19 pandemic on the group and its customers, and make appropriate plans; and
- Continuing to monitor Brexit developments and the implications of it on the exchanges.

Nomination and Remuneration Committee Report

The Board recognises that Aquis operates within a competitive environment and that Group performance depends on the individual contributions of the Directors and employees. It believes in rewarding financial performance and long-term vision and innovation that will help grow the Group.

The N&RC believes that the current composition of the Board and its Committees is appropriate to meet the Group's business, regulatory and governance objectives; however it will continue to keep the composition of the Board under regular review in order to assess the range of skills and capabilities of the Board for their relevance to the execution of the Group's strategy.

The N&RC supports the ongoing development of the Board and the Executive team to ensure that the Group retain and recruit the best talent for its needs and supports the Board in its work to secure the long-term health of the Group and its strategy for success in a fast-changing world. During the year the N&RC considered the likely business needs of the Group and its existing executive management capability and the independence, effectiveness and commitment of each of the Non- Executive Directors. It was satisfied with the contributions and time commitment of all the Non-Executive Directors during the year.

At the Annual General Meeting all the Directors will stand for re-election with the support of the Board.

The Company undertakes an internal annual Board evaluation. In 2019 the evaluation required each Director to complete an anonymous online questionnaire that focused on matters such as the Board's performance and collective judgement, the performance of each of its Committees, the Board's focus on strategy, innovation

and risk, the relationship between the Non-Executive and Executive Directors and the performance of the Chairman. The survey included open questions that encouraged Directors to provide comments or enabled them to raise any concerns. The output of this survey was collated and provided to the Board for discussion. The Senior Independent Director also undertook a review of the Chairman's performance with the other Directors. The overall results were positive with areas for improvement identified, and there were no specific material concerns raised by any of the Directors to the Chairman or Senior Independent Director, or anonymously through the online survey.

The Board is committed to equality and diversity throughout the Group and seeks to attract and retain a diverse and talented workforce through the recruitment and selection processes. The broader Group has adopted a formal diversity policy. This policy reinforces the commitment to providing equality and fairness to all the broader Group's employees. The broader Group is opposed to all forms of unlawful and unfair discrimination and is committed to recruit, develop and promote candidates based purely on the merits of the individual. In 2020 the Company intends to prepare a detailed diversity resourcing plan taking account of industry benchmarks.

The Company uses specialist recruitment agencies for recruitment and directorship roles are advertised via a specialist NED website to ensure that vacancies reach female candidates. Roles are also advertised on the Aquis website and HR Consultants have been used to identify suitable candidates aligned to its policies on equality and diversity.

Directors' Remuneration Report

Annual Statement

Dear Shareholder,

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 December 2019. This report includes this Annual Statement which summarises the main decisions taken by the Nomination & Remuneration Committee (N&RC) during 2019, the Remuneration Policy Report which summarises the broader Group's Remuneration Policy (Policy) and the Annual Report on Remuneration which sets out the payments and awards made to the Directors during 2019 and how the Policy will be operated for 2020.

At our 2020 Annual General Meeting there will be one remuneration-related resolution presented, being the normal annual advisory vote on the Directors' Remuneration Report.

Work of the N&RC during 2019

The main activities during the year (full details of which are set out in the relevant sections of this report) included:

- Assessing the skills of the Directors, reviewing the succession plan for the Board and senior staff and identifying and selecting candidates to for new appointments to the Board. The Board composition is described in the Directors' Report;
- Assessing performance versus the targets and agreeing the pay-outs to the Executive Directors and other senior staff under the 2019 Executive Bonus Plan;
- Agreeing the award levels to Executive Directors and other senior staff under the EMI Option Plan;
- Considering shareholders' feedback in respect of the 2018 and 2019 results announcements;
- Consulting on Policy changes and 2020 proposals under the Policy with major shareholders, including the adoption of a new 2020 Aquis Exchange Omnibus Share Plan;
- Reviewing the Directors' performance during the year and proposing the Executive Directors' base salary increases from 2020 together with the fees of the Chair and other Non-Executive Directors;
- Reviewing and agreeing the proposals for the 2020 Annual Bonus Plan for the Executive Directors and senior staff; and
- Reviewing and agreeing the proposed first awards to the Executive Directors in 2020 under the 2020 Aquis Exchange Omnibus Share Plan.

Throughout the year, the N&RC has continued to work to ensure policy and practices remain consistent with the relevant provisions of the 2018 UK Corporate Governance Code.

Discretion

The Committee is satisfied that the Remuneration Policy operated as intended during 2019 versus the performance of the Group and no discretion has been applied in respect of remuneration outcomes.

Executive Director Remuneration in 2019 and comparison with Group Performance

Summary of 2019 performance

The Group has performed well during 2019, in respect of both the financial and strategic progress made. There has been steady growth across all revenue streams and the loss before interest, tax, depreciation and amortisation ('EBITDA' loss) for the year decreased 90% to £199k compared to a £2.1 million loss in the previous year.

Executive Directors' 2019 annual cash bonus

The Executive Directors' discretionary annual cash bonus for 2019 was determined by the achievement against a set of Group and Individual Key Performance Indicators ("KPIs"). The N&RC ensures performance targets, agreed at the start of the performance period, are sufficiently challenging. In 2019, for Alasdair Haynes 70% of the achievable bonus was determined against Group KPIs, including a majority of financial targets and 30% was determined against individual, non-financial KPIs, including operational, governance, technology business capability building and Marketing objectives. In 2019, for Jonathan Clelland, 60% of the achievable bonus was determined against the same Group KPIs, and 40% was determined against individual, non-financial KPIs, including operational, technology business capability building and Financial Management objectives. Against the Group KPIs, the performance was good with the revenue target achieved and the profit target only very narrowly missed. When combined with performance against the individual KPIs, the N&RC determined that cash bonuses of £68,150 should be awarded to both Alasdair Haynes and Jonathan Clelland, broadly in line with the equivalent cash bonuses paid for 2018. Further details of the measures, targets and bonus outcomes are set out in the Annual Report on Remuneration.

Executive Directors' awards of share options under the EMI Share Option Plan

At the end of 2019, the N&RC decided to award both Alasdair Haynes and Jonathan Clelland a further 80,000 each of share options under the EMI Option Plan. These awards compare to the 120,817 options, awarded to each of Alasdair Haynes and Jonathan Clelland during 2018. These options will be awarded, in line with the Company's Share Dealing Policy between the date of the announcement of the 2019 Results and 14th June 2020, when the EMI Option Plan expires. The option exercise price will be set at the market price at the date of award according to the rules of the EMI Option Plan.

Implementation of Policy in 2020

Executive Directors' salary from 1 January 2020

In light of the fact that the base salaries of both Executive Directors had not been changed since the Listing in June 2018, and also consistent with both the good financial performance of the Group over that time, and the increased level of responsibility as the broader Group has grown, the salary of Alasdair Haynes will be

Directors' Remuneration Report continued

increased by 11% in 2020. The salary of Jonathan Clelland will be increased by 4%, in line with the increase of 4% in the average salary across the Group.

Therefore, with effect from 1 January 2020, Alasdair Haynes' base salary (£225,000 p.a. in 2019) will be increased to £250,000 p.a. and Jonathan Clelland's base salary (£225,000 p.a. in 2019) will be increased to £235,000 p.a.

Executive Directors' 2020 Annual Cash Bonus Plan

The N&RC also conducted a full review of the Executive Annual Cash Bonus Plan, following a benchmarking exercise. The following are the main proposed changes to the Executive Bonus Plan for 2020:

- Retain the split between the financial element and non-financial element of the bonus plan at 70% paid against financial targets and 30% paid against non-financial targets;
- Lower the maximum bonus payable under the plan to 80% of salary from the current 100%;
- Set the on-target payout under the plan to be 40% of base salary;
- Introduce a more rigorous, deterministic mechanism for the calculation of the payout against the financial targets including identifying one financial objective which acts as an underpin; and
- Introduce a threshold of 90% of target performance below which zero cash bonus would be paid.

Further details of the structure of the new 2020 Executive Cash Bonus Plan are included in the Annual Report on Remuneration.

Adoption and issue of first awards under, the new 2020 Aquis Exchange Omnibus Share Plan

Following the expiration of the EMI Option Plan in 2020, the proposal is to introduce a new Aquis Exchange Omnibus Share Plan for use from 2020 onwards.

The N&RC considered carefully the choice of long-term incentive scheme and favours a Restricted Share structure for issues in 2020.

The awards proposed for 2020 are a Restricted Share Award worth 65% of base salary for both for Alasdair Haynes and Jonathan Clelland.

We are cognisant that the adoption of a Restricted Share structure represents a departure from the currently established Performance Share model which tends to operate in the market. However, given the uncertainties created from trying to forecast a realistic 3-year financial target at this stage of the broader Group's development and at a time of high growth, the N&RC firmly believes that Restricted Shares are appropriate, at least for the time being. We will also keep the merits of the overall structure under review but will only introduce other awards types after further consultation with

shareholders and agreement in the advisory vote at a future General Meeting of Shareholders.

Shareholder Engagement

During 2019, all members of the N&RC conducted an extensive consultation with major shareholders on the Remuneration Policy, including with all shareholders who held more than 2% of the total equity in the Company (not including the Aquis Board directors). It is the N&RC's firm commitment to continue this wide engagement with the Company's shareholders on remuneration issues going forwards.

Finally, I would like to thank our shareholders and I hope we can continue to rely on their support at our Annual General Meeting on 19 May 2020.



Richard Bennett
Nomination and Remuneration Committee Chairman

15 April 2020

Remuneration Policy

The Aquis Remuneration Policy is to motivate its Directors and Employees appropriately in the context of the broader Group's objectives and culture and to ensure it is aligned with shareholder interests. The policy encourages compliance with the requirements and standards of the regulatory system, whilst taking care to avoid encouraging behaviours which may lead to conflicts of interest and potentially damage the best interests of its members/clients. It is not the intention to bring employees into conflict with the regulatory regime through inappropriate remuneration policies.

From 2020 a simpler structure comprising salary, benefits, annual cash bonus and annual grants of restricted shares will operate for Executive Directors and possibly for other senior executives. Restricted shares will vest after three years based on continued service and the achievement of underpin tests.

The key advantages of restricted shares for the broader Group are:

- It reduces uncertainties created from trying to forecast a realistic 3-year financial target at this stage of the broader Group's development;
- It helps to create a simple pay structure;
- It provides a structure which promotes genuine long-term alignment and stewardship of the share price; and
- It reduces the potential quantum relative to a more highly leveraged 'traditional' performance share plan (as fewer restricted shares will be granted in comparison to a comparable award of performance shares).

In addition, we are proposing to continue taking a prudent approach to the positioning of salaries and cash bonus potential relative to market comparisons. The Committee has concluded that this remains the right approach in light of the broader Group's cash constraints as we continue to invest in our business.

Remuneration Policy continued

The table below provides a summary of the proposed Remuneration Policy for Directors:

Element	Purpose	Operation	Maximum	Performance
Base salary	Recruit and retain executives of a high calibre. Reflects an individual's experience, role and performance.	Salaries are paid monthly. They are reviewed annually and normally fixed for 12 months commencing 1 January. In deciding appropriate levels, the N&RC considers: - the role, experience, responsibility & performance of the individual, - increases applied to the broader workforce and - relevant market information for similar roles in broadly similar UK listed companies and companies of a similar size. The N&RC considers the impact of any salary increase on the total remuneration package prior to awarding any increases.	There is no maximum. N&RC is guided by average increases across the workforce. However, higher % increases may be awarded on occasion, for example (but not limited to): - Where an individual is promoted or has been recruited on a below market rate; or - In relation to a change in size, scale or scope of an individual's role or responsibilities or in the size or complexity of the business or where salaries have fallen significantly below mid-market levels.	N&RC reviews the salaries of Executive Directors each year taking due account of all the factors described.
Benefits	Recruit and retain executives of a high calibre.	Benefits include: - Private health cover (individual and family), permanent health cover and life assurance cover. - Executive Directors are also eligible to participate in any all-employee HMRC approved share schemes, on the same basis as other employees. - Any reasonable business-related expenses can be reimbursed if determined to be a taxable benefit. - Relocation or related expenses may be offered including tax equalisation to ensure the executive is no better or worse off. - Executive Directors may be offered other benefits if considered appropriate and reasonable by the Committee.	There is no maximum as costs may vary in accordance with market conditions. HMRC tax-approved limits will apply to all share schemes.	N/A
Pension	To provide retirement benefits in line with the overall Company Policy.	Executive Directors as well as other staff are eligible to receive employer contributions to the Company's Pension Plan (which is a defined contribution plan)	The current Executive Directors have not elected to participate in the Company Pension Plan. New Executive Directors in the future, who participate in the Company Pension Plan, will receive employer contributions which are in line with those given to the majority of the Company's workforce.	N/A

Element	Purpose	Operation	Maximum	Performance
Annual cash bonus	To incentivise the achievement of annual financial and/or strategic business targets, appropriately stretching, in line with shareholder interests.	Participation in the bonus plan is at the discretion of the N&RC. Bonus payment is determined after the year end, based on performance against targets set prior to the start of each year. For Executive Directors, bonus payments are paid in the April after the year end, after the announcement of the financial results for the year. Bonus payments are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct -see below for more details.	An overall maximum of 80% of salary will apply.	Performance metrics are selected annually based on the broader Group's strategic objectives. The bonus will be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets, tailored each year to reflect business priorities. Outcomes will be based on financial measures, representing a majority of the bonus (e.g. revenue, profit) with a significant minority (30%) on key strategic objectives. For financial measures, a sliding scale of targets is set by the N&RC, taking into account factors such as the business outlook for the year. Nothing is payable for performance below a minimum level. Where non-financial targets operate, it may not always be practicable to set targets on a graduated scale. Where these operate, not more than 25% will be payable for achieving the threshold target. The metrics, and proportion of bonus that can be earned against each metric, will be disclosed in the Annual Report on Remuneration each year for the following year. The calculation of the annual bonuses from the actual performance achieved against each bonus target will be described retrospectively each year in the Annual Report on Remuneration.

Remuneration Policy continued

Element	Purpose	Operation	Maximum	Performance
Restricted Shares	Incentivises Executive Directors and senior staff to achieve successful execution of business strategy over the longer term. Aligns the interests of the Executives, senior staff and shareholders. Also helps to provide long-term retention.	Participation and individual award levels will be determined annually at the discretion of the N&RC within the Policy. Awards are normally granted annually in the form of nil cost options. Award levels will be subject to the individual limit and will take into account matters such as market practice, overall remuneration, and the performance of both the broader Group and the Executive being granted the award. Awards normally vest after three years subject to continued employment. A holding period will apply under which all participants are required to retain their net of tax vested awards for two years post vesting. A dividend equivalent provision allows the N&RC to pay dividend equivalents, at the N&RC's discretion, on vested awards (in cash or shares) up to the point of exercise or sale (but no later than the expiry of the holding period). This may assume the reinvestment of dividends on a cumulative basis. Awards are subject to recovery and withholding provisions in the event of financial misstatement, error or gross misconduct - see below for more details.	Maximum grant level of 65% of salary for current Executive Directors (and an overall policy limit of 100% of salary to be used in cases such as recruitment). Under the 2020 Executive Omnibus Share Plan, it would be possible to grant Performance Shares with a maximum grant of up to 130% of salary for 2021 onwards although the current intention is to make Restricted Share awards only. The N&RC will consult first with shareholders if it wishes to issue Performance Shares in the future.	Restricted Share awards will be share based and will vest three years after grant subject to continued employment. No performance conditions will apply although appropriate underpins will operate. It is proposed that the first award will be made to the Executive Directors shortly after the date of the announcement of the 2019 Results. The underpins will be set prior to grant and it is envisaged that they will always include thresholds relating to an assessment of financial progress, maintenance of regulatory capital and compliance. Details of the underpins will be disclosed in the Annual Report on Remuneration in the year of each award. In future years, the Policy on the operation of Performance Shares to Executive Directors, including the selection of appropriate performance measures, targets, vesting & holding periods, dividend provision and recovery & withholding provisions will be the subject of further shareholder consultations before being decided.
Share-holding guidelines	To align the interests of management and shareholders and promote a long-term approach.	The Policy for all Executive Directors on shareholding will be amended such that each will be expected to build up and hold their own shareholding in the Company to a value of at least 200% of their base salary in line with market practice in this area. Furthermore, all vested restricted share awards should be retained on a net of tax basis until the guideline has been met. The Committee has also formalised its post-cessation policy in the light of the provisions of the UK Corporate Governance Code. It is the broader Group's policy that good leavers' share awards should vest on the normal vesting date and be subject to testing in relation to the underpins and a pro rata reduction.	N/A	N/A

Element	Purpose	Operation	Maximum	Performance
Non-Executive Chair and Non-Executive Directors' fees	To attract and retain a high-quality Chair and experienced Non-Executive Directors.	The Non-Executive Chair receives a single fee covering all her duties. The Non-Executive Directors receive a basic fee and additional fees payable for chairing or being a member of the Audit, Risk, Compliance, Nomination & Remuneration Committees and the broader Group's Regulated Subsidiary Boards. The Chair and Non-Executive Directors shall be entitled to have reimbursed all expenses that they reasonably incur in the performance of their duties. The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chair and Directors.	There is no maximum. However, any increase to fees will be considered in light of the expected time commitment in performing the roles, increases received by the wider workforce and market rates in comparable companies.	Neither the Non-Executive Chair nor the Non-Executive Directors are eligible for any performance related remuneration.

Consideration of employment conditions elsewhere in the Group
 Whilst the N&RC does not consult directly with employees on the Directors' Remuneration Policy, the N&RC does receive periodic updates regarding salary increases and remuneration arrangements across the Group. This is borne in mind when determining the Remuneration Policy and payments for the Directors.

Bonus and Restricted Share Plan Discretions

The N&RC will operate the 2020 Annual Cash Bonus Plan and 2020 Aquis Exchange Omnibus Share Plan according to their respective rules and in accordance with the AIM Rules and HMRC rules, where relevant. A copy of the 2020 Aquis Exchange Omnibus Share Plan rules is available on request from the Company Secretary. The N&RC, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit the level of award is restricted as set out in the policy table above):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;

- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- The ability to adjust existing performance conditions and underpins for exceptional events, including any M&A activity so that they can still fulfil their original purpose whilst being no less stretching.

Recruitment and Promotion Policy

The remuneration package for a new Director will be established in accordance with the broader Group's approved Remuneration Policy subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual and their existing remuneration package. Benefits will generally be provided in line with the approved Policy, with relocation or other related expenses provided for if necessary. A pension contribution or cash in lieu in line with the pension contributions provided to the majority of the workforce may be offered.

The structure of variable pay elements of Executive Directors will be in accordance with the broader Group's approved Policy detailed above. The maximum variable pay opportunity will be as set out in the Remuneration Policy table, different performance measures may be set initially for the annual cash bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board. The bonus will be pro-rated to reflect the proportion of the financial year

Remuneration Policy continued

served. A Restricted Share award can be made shortly following an appointment (assuming the Company is not in a close period).

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided, taking into account the form (cash or shares), timing and expected value (taking into account the likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the AIM Rules. The intent of any such award would be to ensure that, as far as possible, the expected value and structure of the award will be no more generous than the amount forfeited.

In the case of an internal recruitment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Service Contracts and Payments for Loss of Office

The Company's policy is to have service contracts for Executive Directors that continue indefinitely unless determined by their notice period. Under the Executive Directors' service contracts and, in line with the policy for new appointments, no more than 6 months' notice of termination of employment is required by either party.

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years or on renewal for a shorter period as set out in the table below. Appointments may be terminated with three months' notice. The appointment letters for the Chair and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

For Executive Directors, the Company may, in its absolute discretion, at any time after notice is served by either party, terminate a Directors' contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice plus the fair value of contractual benefits subject to the deduction of tax.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct or a serious breach of contract. No payment or compensation beyond salary (and the value of holiday entitlement) accrued up to the date of termination will be made if such an event occurs.

Any statutory payments required by law will be made.

Recovery (Clawback) provisions for Executive Directors in the Annual Cash Bonus Plan

For Executive Directors only, the N&RC and Board may, in the exceptional circumstances defined below, decide to Clawback annual cash bonus payments.

The N&RC may decide at any time prior to the second anniversary of the date on which annual cash bonuses are paid, that the

individual to whom the annual cash bonus was paid shall be subject to Clawback: (i) after due consideration, the N&RC forms the view that one or more of the circumstances envisaged in (a) to (f) below applies; and (ii) such Clawback is, in the N&RC's opinion, appropriate.

The circumstances which may give rise to the application of this provision are, for any period from Financial Year 2018 onwards:

- (a) The N&RC forms the view that the broader Group materially misstated its financial results for whatever reason and that such misstatement resulted either directly or indirectly in the value of the annual cash bonus paid being greater than would have been the case had that misstatement not been made; or
- (b) The N&RC forms the view that any calculation in connection with the annual cash bonus or any assessment of any underpins and/or any other condition imposed on the cash bonus was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in the value of cash bonus paid being greater than would have been the case had that error not been made; or
- (c) It is determined by the N&RC that the relevant individual committed serious misconduct that warrants or could have warranted his summary dismissal as a result of his misconduct; or
- (d) The broader Group becomes insolvent or is put into administration (under the Insolvency Act 1986) and the N&RC determines that such insolvency or administration arose from events occurring (in whole or substantial part) during any period in which the relevant individual was an Executive Director; or
- (e) There are circumstances which in the N&RC's opinion have (or would have if made public) a sufficiently significant impact on the reputation of the broader Group or of any of its subsidiaries to justify the application of this provision; or
- (f) The N&RC forms the view that there has been a serious failure of risk management within the broader Group or any of its subsidiaries to justify the application of this provision.

Change of Control provisions for Executive Directors in Aquis Exchange Omnibus Share Plan

In the event of a change of control, unvested share awards shall vest on the date of such event. The N&RC shall determine the number of vested shares by (i) applying an assessment of any underpins imposed on the vesting of the award, and (ii) by applying a pro rata reduction based on the period of time after the grant date and ending on the early vesting date relative to the period of three years (counting part of any month as a whole month), unless the N&RC, acting fairly and reasonably, decides that the reduction in the number of vested shares is inappropriate in any particular case in comparison with the original award when it may increase the number of vested shares to such higher number as it decides is appropriate.

Good Leaver (including Retirement) provisions for Executive Directors in Aquis Exchange Omnibus Share Plan

If prior to vesting of any shares an individual ceases to be a director or employee of any company within the broader Group by reason of (a) death, (b) injury or disability evidenced to the satisfaction of the N&RC; (c) retirement with the agreement of the Board; (d) redundancy (within the meaning of the Employment Rights Act 1996 or applicable local law equivalent); or (e) for any other reason, if the N&RC so decides then his/her awards shall vest on the normal vesting date, unless the N&RC decides in exceptional circumstances that his/her award shall vest on leaving.

The N&RC shall determine the number of shares that will vest by (i) applying any underpin test at the time of vesting, whether early or at the normal vesting date; and (ii) applying a pro rata reduction to the number of shares based on the period of time from the date of grant to the date of cessation relative to the period of 3 years (counting part of any month as a whole month) unless the N&RC, acting fairly and reasonably, decides that the reduction in the number of vested shares is inappropriate in any particular case when it may increase the number of shares that will vest to such higher number as it decides is appropriate.

Withholding (Malus) and Recovery (Clawback) provisions for Executive Directors in Aquis Exchange Omnibus Share Plan Restricted Share Plan

The N&RC may decide: (i) at any time prior to the date on which an award vests that an unvested award is subject to Malus; and/or (ii) at any time prior to the second anniversary of the date on which an award vests, that the individual to whom the award was granted shall be subject to Clawback, or both: (i) after due consideration, the N&RC forms the view that one or more of the circumstances envisaged in (a) to (f) below applies; and (ii) such Malus and/ or Clawback is, in the N&RC's opinion, appropriate. The N&RC shall not be obliged to prefer the application of Malus over Clawback or vice versa.

The circumstances which may give rise to the application of this provision are:

- (a) The N&RC forms the view that the broader Group materially misstated its financial results for whatever reason and that such misstatement resulted either directly or indirectly in the value of the shares vesting being greater than would have been the case had that misstatement not been made; or
- (b) The N&RC forms the view that any calculation in connection with the award of shares or any assessment of any underpins and/or any other condition imposed on the award of shares was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in that the value of the shares vesting being greater than would have been the case had that error not been made; or
- (c) It is determined by the N&RC that the relevant individual committed serious misconduct that warrants or could

have warranted his/her summary dismissal as a result of his misconduct; or

- (d) The broader Group becomes insolvent or is put into administration (under the Insolvency Act 1986) and the N&RC determines that such insolvency or administration arose from events occurring (in whole or substantial part) during any period in which the relevant individual was an Executive Director; or
- (e) There are circumstances which in the N&RC's opinion have (or would have if made public) a sufficiently significant impact on the reputation of the broader Group or of any of its subsidiaries to justify the application of this provision; or
- (f) The N&RC forms the view that there has been a serious failure of risk management within the broader Group or any of its subsidiaries to justify the application of this provision.

Annual Report on Remuneration

The information below includes details, firstly, how we intend to operate our Remuneration Policy in 2020 and, secondly, details of the pay outcomes in respect of the 2019 financial year.

Implementation of Remuneration Policy in 2020

Executive Directors' Base Salaries in 2020

The base salaries of both Executive Directors had not been changed since the Listing in June 2018. Therefore, the N&RC decided to conduct a full review during 2019 of all elements of the Executive Directors' Remuneration, including base salaries. This was alongside the assessment of the Group and Individual performance in both 2018 and 2019 and took inputs from a new benchmarking exercise comparing with Executive Director salaries in other UK companies in the Group's market sector of a similar size and performance. The outcome of this review was to increase the salary of Alasdair Haynes by 11% and the salary of Jonathan Clelland by 4%, compared to an increase of 4% in the average salary across the Company.

Therefore, Alasdair Haynes' base salary (currently £225,000 p.a.) will be increased to £250,000 p.a. and Jonathan Clelland's base salary (currently £225,000 p.a.) will be increased to £235,000 p.a.

Executive Directors' Benefits and Pension

The Executive Directors' remuneration packages include private health cover (individual and family), permanent health cover and life assurance cover. The Executive Directors are entitled to join the pension scheme but have decided to opt-out of auto-enrolment.

In addition to public holidays the Executive Directors are entitled to 25 working days of paid holiday in each complete holiday year.

Remuneration Policy continued

Executive Directors' 2020 annual cash bonus

For both Executive Directors, the maximum bonus opportunity for 2020 will be capped at 80% of base salary. This is a reduction from the maximum cap of 100% of base salary in 2019. For on-target performance, bonus payout will be 40% of base salary. At threshold performance, set at approximately 90% of the financial on-target performance, below which no bonus will be paid, the bonus payout will be 5% of base salary.

The objectives and their weightings for the year ending 31 December 2020, for both Executive Directors are:

	Bonus Weighting (% of salary paid for on-target performance)
Financial Objective 1: Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	14%
Financial Objective 2: Revenue	14%
Strategic objectives	12%
Total	40%

The financial objectives therefore constitute 70% of the available bonus, and the non-financial objectives 30%.

The detailed financial targets and strategic objectives are commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's Directors' Remuneration Report.

Financial Underpins and Discretion

One of the above financial objectives will also be defined as an underpin objective with an associated underpin target achievement level. If the actual achievement is below this underpin, the pay-out against all financial objectives will be zero.

There is no formal underpin for the strategic objectives but the N&RC and Board will retain discretion not to pay-out annual cash bonuses against strategic objectives if it determines, in exceptional circumstances, acting reasonably in the best interests of the broader Group, that the overall circumstances cannot justify it.

Awards of Restricted Shares under the new Aquis Exchange Omnibus Share Plan

In anticipation of the expiration of the EMI Option Plan in 2020, the N&RC conducted a full consultation with major shareholders during 2019/20 to help design the new 2020 Aquis Exchange Omnibus Share Plan, which is intended to form the main equity based element of Executive Remuneration for the broader Group for 2020 onwards.

The N&RC considered carefully the choice of long-term incentive scheme and favours a Restricted Share structure. The reasons for this choice are set out in the Remuneration Policy section of this report.

The Restricted Share awards proposed for 2020 are 65% of base salary for both for Alasdair Haynes and Jonathan Clelland.

These awards will vest on the 3rd anniversary after the grant date subject to underpin conditions being met. They are then subject to a further two-year holding period during which Recovery and Withholding conditions apply.

The N&RC is cognisant that the adoption of a Restricted Share structure represents a departure from the currently established Performance Share model which tends to operate in the market. However, given the uncertainties created from trying to forecast a realistic three-year financial target at this stage of the broader Group's development and at a time of high growth, the N&RC firmly believes that Restricted Shares are appropriate, at least for the time being. We will also keep the merits of the overall structure under review, particularly vis-à-vis the use of Performance Shares, as the broader Group further matures and becomes profitable. Therefore, an Omnibus Share Plan is proposed that gives the N&RC and Board the added flexibility to be able to move towards the award of Performance Shares alongside or instead of Restricted Shares in future years. Other awards types will only be introduced in the future after further consultation with shareholders.

Restricted Share Plan Underpins

These Restricted Share Awards will be subject to underpins, which are objectives that must be met before vesting can occur. The underpins are based on a minimum level of underlying performance of the broader Group over the three-year period and delivery against the broader Group's strategy and plans. As such the underpins may include growth in market share in the Exchange business, sustainable profit delivery and financial progress taking into account expansion and investment plans, the avoidance of a material failure in governance or an illegal act resulting in significant regulatory or reputational damage and/or material financial loss to the broader Group or any of its subsidiaries, and

social factors such as culture and employee engagement. When considering these factors, the N&RC will consider overall performance while recognising that fast growing financial and technology companies may require capital expenditure and investment.

Chair and Non-Executive Director fees

The remuneration for the Chair and Non-Executive Directors, which consists solely of fees, will be unchanged on 2019 as summarised in the table below.

Pay outcomes for 2019

Summary of Salary, benefits and Cash Bonus Payments in 2019 (and compared with 2018)

The cash (plus benefits) elements of remuneration of the Directors are summarised in the following tables for 2019 and 2018.

2019 (Audited)

Director	Salary/Fees	Performance bonus actual	Taxable benefits	Total
Niki Beattie	£50,000	-	-	£50,000
Alasdair Haynes	£225,000	£68,150	£7,693	£300,843
Jonathan Clelland	£225,000	£68,150	£8,202	£301,352
Richard Bennett	£40,000	-	-	£40,000
Mark Spanbroek	£35,000	-	-	£35,000
Mark Goodliffe	£40,000	-	-	£40,000
Glenn Collinson ⁽¹⁾	£40,000	-	-	£40,000

(1) Glenn Collinson joined the Board in January 2019

2018 (Audited)

Director	Salary/Fees	Performance bonus actual	Taxable benefits	Total
Niki Beattie	£50,000	-	-	£50,000
Alasdair Haynes	£225,000	£68,730	£27,263	£320,993
Jonathan Clelland	£225,000	£68,730	£27,603	£321,333
Richard Bennett	£40,000	-	-	£40,000
Mark Spanbroek	£36,250	-	-	£36,250
Mark Goodliffe (1)	£32,615	-	-	£32,615
Glenn Collinson	-	-	-	-

(1) Mark Goodliffe joined the Board in March 2018

Grant of Share Options to Executive Directors for 2019 and 2018 under the EMI Share Option Plan

At the end of 2019, the N&RC decided to grant both Alasdair Haynes and Jonathan Clelland a further 80,000 of share options under the EMI Option Plan. These options will be awarded, in line with the Company's Share Dealing Policy between the date of the announcement of the 2019 Results and 14th June 2020, when the EMI Option Plan expires. The option exercise price will be set at the market price at the date of grant according to the rules of the EMI Option Plan. No payment by the recipients will be required at the time of these awards. The options will vest in 3 equal portions over the 3 years after the grant date and may be exercised up to the tenth anniversary of the award.

The market price at 31 December 2019 was £4.0375. The value of these awards on 31 December 2019 was £59,445, using the US binomial method with an average expiry duration of 5 years, volatility of 24 and risk-free interest rate of 1.1067%.

This would have increased the Single Total Remuneration Figure for 2019 for Alasdair Haynes to £360,288 and for Jonathan Clelland to £360,797. However, this assumes that the exercise price and Black Scholes model parameters remain the same up to the date of grant.

On the 13th of June 2018, both Executive Directors received grants of 120,817 share options each under the EMI Option Plan at an exercise price of £2.69, the market price on that date. The US binomial value of these grants at the date of grant was £59,812.

Remuneration Policy continued

Therefore, the Single Total Remuneration Figure for 2018 for Alasdair Haynes was £380,805 and for Jonathan Clelland £381,145.

Hence, both the Total Cash Compensation and Single Total Remuneration Figure for the Executive Directors were reduced by approximately £20,000 in 2019 versus 2018, in line with slightly lower payout of the discretionary cash bonus plan.

Determination of 2019 Annual Cash Bonus Payments for Executive Directors

The Executive Directors' discretionary annual cash bonus for 2019 was dependent on the Group and Individual performance measured against Key Performance Indicators (KPIs). The size of the Bonus Pool for the Group was set by the achievement against Corporate KPIs, the majority of which were financial targets from the 2019 budget. The two Executive Directors were allocated equal shares of the remainder of this bonus pool after discretionary bonuses were paid to other senior staff. The Individual bonuses for the Executive Directors were finally determined from this allocation based on the achievement against the Group financial KPIs and individual non-financial KPIs (split 70%/30% for Alasdair Haynes and 60%/40% for Jonathan Clelland).

Against the Group KPIs, the performance was good, with the Group Revenue target of 73% year-on-year growth achieved and the Profit target of breakeven in Q4 only very narrowly missed. The Group KPI part of the bonus plan therefore paid out at 90% of target. The performance against the Individual, non-financial KPIs, which were a mixture of Operational, Governance Related, Technology business capability building, and Marketing objectives was also good, with 80% achievement for Alasdair Haynes and 85% achievement for Jonathan Clelland. This resulted in a blended achievement figure of 91% of target for both Executive Directors and therefore cash bonuses of £68,150 for both Alasdair Haynes and Jonathan Clelland. These bonuses are broadly in line with the equivalent cash bonuses paid for 2018.

The Executive Directors and other members of the Executive Committee will receive their annual cash bonus for 2019 in April 2020, after the Group's full 2019-year results are finalised.

Directors' shareholdings and share interests

The following table summarises the shareholdings and share interests of the Directors at 31 December 2019.

Director	Shares	Options	Total
<i>Executive</i>			
Alasdair Haynes	1,551,551	120,817	1,672,368
Jonathan Clelland	576,000	120,817	696,817
<i>Non-Executive</i>			
Mark Spanbroek	319,128		319,128

The options, above, granted to Alasdair Haynes and Jonathan Clelland were awarded free. The options granted vest equally over 3 years and may be exercised up to 13 June 2028 at a price of £2.69 per share. As noted above a grant of an additional 80,000 options to each of Alasdair Haynes and Jonathan Clelland was made at the end of 2019 will be awarded in line with the Company's Share Dealing Policy between the date of the announcement of the 2019 Results and 14th June 2020, when the EMI Option Plan expires.

In addition, Alasdair Haynes and Jonathan Clelland are the beneficial owners of 3,335 shares, each, held in the Aquis Share Incentive Plan.

Retirement Benefit Schemes

Pension obligations

The Company has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as and when they become due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total costs charged to income in respect of defined contribution plans in 2019 are £274,154 (2018: £207,751).

All Employee Share Plans

The Company operates an HMRC approved Share Investment Plan (SIP) and an EMI share-based option plan.

Share Investment Plan

All employees are eligible to participate in the SIP scheme and during 2019 26 employees including the Executive Directors subscribed to the scheme. As at 31 December 2019 63,746 shares in the Company were held in the SIP.

EMI Share Option Plan

The EMI Share Option Plan is a discretionary share plan, under which the Board may grant options over Ordinary Shares, to incentivise and retain eligible employees. Options may be granted under the plan until 14 June 2020. No options were exercised, and no options expired unexercised during the year, but 3,718 options were forfeited, and the terms and conditions of the option scheme were not altered during the year. It was decided to grant options in respect of 2019 performance to Executive Directors (see above for details) and other staff members. On the 30th November 2019 the Company deferred this issue until April 2020.

Directors' service contracts terms

The Company contract term policy is to establish Executive Directors' notice period in line with market norms and Non-Executive Directors' contract terms of 3 years' duration.

The Executive Directors' contracts are subject to 6 months' notice period. The unexpired Non-Executive Directors service contract terms are as follows:

Director	Date of contract	Term
Niki Beattie	April 2018	June 2020
Richard Bennett	April 2018	June 2020
Mark Spanbroek	April 2018	June 2020
Mark Goodliffe	March 2018	March 2021
Glenn Collinson	January 2019	January 2022

All Directors' service contracts are available for inspection at the principal office address.

CEO Pay Ratio

The ratio of the salary of the Chief Executive to the average employee remuneration (excluding Non-executive Directors) was 2.9:1 during 2019 (2018 3.2:1).

Other information about the N&RC

The N&RC members have no personal financial interest in matters to be decided, no potential conflicts of interests arising from cross directorships and no day to day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes.

The N&RC received help during the year from:

- CFO & COO, Jonathan Clelland, who attends meetings as an Observer and acted as the Secretary at the meetings. The Chief Executive, Alasdair Haynes also attended some meetings upon invitation. No individual takes part in discussions relating to their own remuneration and benefits
- the N&RC's appointed external adviser (FIT Remuneration Consultants LLP). FIT's fees for advice provided to the N&RC during 2019 were £5,000. FIT does not provide any other services to the broader Group and the N&RC is satisfied that it provides independent and objective remuneration advice. FIT is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at www.remunerationconsultantsgroup.com.

Remuneration Policy continued

External Non-Executive Director Appointments

Executive Directors are permitted, where appropriate and with Board approval, to take Non-Executive Directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the Directors in their capacity as Directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. Neither of the Executive Directors currently holds an appointment of this nature.

On behalf of the Board and the Nomination and Remuneration Committee.



Richard Bennett
Chairman, Nomination and Remuneration Committee
15 April 2020

Independent auditor's Report

to the members of Aquis Exchange PLC

Report on the audit of the financial statements

Opinion

In our opinion, Aquis Exchange PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's and the company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statement of Financial Position as at 31 December 2019, the Consolidated and Company Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

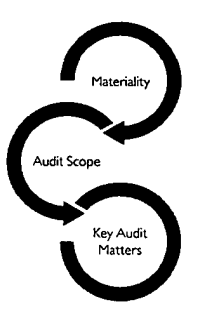
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

	• Overall group materiality: £130,000, based on 5% of average loss before over 3 years. • Overall company materiality: £130,000 (2018: £170,000), based on 5% of average loss before tax over 3 years.
	• The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors (including evaluation of history of misstatement through fraud or error). • The Group is composed of two operating entities: Aquis Exchange PLC and Aquis Exchange Europe SAS. • We performed audit procedures over reporting entities considered financially significant in the context of the Group using the materiality levels set out above.
	• Timing of revenue recognition in relation to Licence fees (Group and Company) • Valuation of the expected credit loss for trade receivables (Group and Company) • Impact of COVID-19 (Group and Company)

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 judgements, 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

Independent auditor's Report continued

to the members of Aquis Exchange PLC

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Timing of revenue recognition in relation to Licence fees (Group and Company) In accordance with the accounting policies set out in Note 1 "Basis of preparation and accounting policies", revenue from contracts with customers relating to licence fees is recognised once the relevant contractual terms relating to each performance obligation have been achieved, and when other recognition criteria have been met. This can be either over time or point in time which impacts the timing of the recognition of the revenue. The total revenue recognised from licence fees in the year ending 31 December 2019 was £1,269,362, as explained in Note 10 "Revenue". We focused on this area as there is judgement required in the identification of performance obligations, and this creates a risk of licence fees not being recognised in an appropriate period which could lead to a material misstatement.	We understood management's process for identifying revenue from licence fees and appropriately recognising it under the requirements of the Group's accounting policies, including identification of performance obligations and the apportionment of revenue to each obligation. We reviewed a sample of contracts to determine whether fees were recognised in accordance with contractual terms under IFRS 15 and that licence fees were appropriately recognised as "point in time". We reperformed the calculation performed by management to recognise revenue in the correct period for all contracts. In addition, we tested a sample of the cash flows in the underlying contract to bank statements to confirm that the contracts had economic substance. Based on the work performed, we found management's judgement over recognition of revenue to be reasonable given the evidence obtained.
Valuation of the expected credit loss for trade receivables (Group and Company) In accordance with the accounting policies set out in Note 1 "Basis of preparation and accounting policies", the Group is required to provide for the expected credit loss ("ECL") of all trade receivables. As at 31 December 2019, the Group has a total provision for ECL of £453,249 and a credit for the year of £242,585, as described in Note 11 "Expected Credit Loss". The material inputs to these calculations are probability of default ("PD") and loss given default ("LGD"). These inputs are subjective, there is a lack of historic data, and for the trade receivables generated from the up-front recognition of licence fees, there is a risk that inappropriate or incorrect inputs could lead to a material misstatement in the ECL.	We understood management's process for calculating the ECL for their trade receivables including identification of PD and LGD. We challenged management's assumptions in deriving PD and LGD, including the incorporation of forward-looking information. Our procedures include assessing the reasonableness of the risk parameters leading to PD and LGD, understanding the underlying counterparties, their history and regulatory status, and the relevance and validity of the data used by management. We performed sensitivity analysis by stressing PD and LGD to reasonably possible alternatives for each contract and noted that the calculated change in ECL would be immaterial. We tested data inputs into ECL calculation and recreated the model used by management and confirmed that it was accurate. We reviewed the disclosure of the accounting estimate and expected credit losses and agreed that it was appropriate. Based on the work performed, we found management's estimate of the ECL to be supported by the evidence obtained

Key audit matter**Impact of COVID-19 (Group and Company)**

Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus (COVID-19). It is now clear that the impact of COVID-19 is significant and will continue to affect the normal patterns of business activity around the world, including the UK. Financial markets have been severely disrupted and although there are signs of recovery and normalisation when compared to March, volumes and volatility remain high.

As described in the Directors' report, the directors have specifically considered the impact on the financial statements, including its impact on their going concern assessment and the post balance sheet event disclosures.

The directors have concluded that the matter is a non-adjusting post balance sheet event, the financial effect of which cannot be reliably estimated at this stage. This is described in note 31 to the financial statements.

How our audit addressed the key audit matter

We critically assessed the directors' conclusion that the matter be treated as a non-adjusting post balance sheet event and that the directors consider the impact of which cannot be reliably estimated at this stage. We considered:

- The timing and development of the outbreak across the world and in particular in the UK and Europe; and
- How the financial statements might be impacted by the aforementioned disruption and the complexity in measuring such impacts.

Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the financial statements.

In forming our conclusions over going concern, we evaluated whether the directors' going concern assessment considered impacts arising from Coronavirus. Our procedures in respect of going concern included:

We reviewed the directors' going concern assessment. We made enquiries of management to understand the potential impact of the Coronavirus on the company's financial performance, business operations and liquidity.

We performed bank confirmations and tested bank reconciliations to obtain audit evidence over the group's cash position as at 31 December 2019 and confirmed there is sufficient liquid cash to meet expected expenses over the next 12 months from the date of signing this opinion.

Our reporting on going concern is set out below.

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 structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

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 judgement, we determined materiality for the financial statements as a whole as follows:

	<i>Group financial statements</i>	<i>Company financial statements</i>
Overall materiality	£130,000	£130,000 (2018: £170,000)
How we determined it	5% of average loss before over 3 years.	5% of average loss before tax over 3 years.
Rationale for benchmark applied	The average loss before tax from continuing operations of the past 3 years has been chosen since the Group is a for profit enterprise with its underlying financial performance as stakeholder's key performance indicator. The average performance over 3 financial years has been used to take into account the volatility in the Group's loss before tax.	Profit/loss before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. Given the nature of the entity, its historical losses, and its future plans to head towards profitability, an average profit/loss over three years is considered the most appropriate measure, to remove volatility year on year.

Independent auditor's Report continued

to the members of Aquis Exchange PLC

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £58,000 and £130,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,500 (Group audit) and £6,500 (Company audit) (2018: £8,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

As a result of the directors' reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 15 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

-
- The directors' explanation on page 22 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the directors' reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 28, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 29 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditor's Report continued

to the members of Aquis Exchange PLC

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.



Mike Wallace (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 April 2020

Statement of Comprehensive Income

For the year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Income Statement					
Revenue	10	6,891,994	3,981,910	6,627,994	3,981,910
Impairment credit	11,20	242,585	424,194	242,585	424,194
Administrative expenses	12	(7,333,950)	(6,477,652)	(7,003,574)	(6,477,652)
Operating loss		(199,371)	(2,071,548)	(132,995)	(2,071,548)
Investment income	13	41,699	30,139	36,303	30,139
Depreciation and amortisation	12	(928,191)	(611,494)	(92,191)	(611,494)
Net finance costs	12	(41,115)	-	(41,115)	-
Exceptional costs	14	-	(1,011,853)	-	(1,011,853)
Loss before taxation		(1,126,978)	(3,664,756)	(1,065,998)	(3,664,756)
Income tax credit/ (expense)	15	265,254	247,389	265,254	247,389
Loss for the year		(861,724)	(3,417,367)	(800,744)	(3,417,367)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations, net of tax	19,27	1,439	-	-	-
Other comprehensive loss for the year		1,439	-	-	-
Total comprehensive loss for the year		(860,285)	(3,417,367)	(800,744)	(3,417,367)
Earnings per share (pence)					
Basic					
Ordinary shares	16	(3)	(20)	(3)	(20)
Diluted					
Ordinary shares	16	(3)	(20)	(3)	(20)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

Statements of Financial Position

As at 31 December 2019

	Notes	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Assets					
Non-current assets					
Intangible assets	17	753,230	637,539	753,230	637,539
Property, plant and equipment	18	2,013,823	541,933	2,013,823	541,933
Investment in subsidiaries	19	-	-	2,437,766	9,020
Trade and other receivables	20,23	966,922	841,288	966,922	841,288
		3,733,975	2,020,760	6,171,741	2,029,780
Current assets					
Trade and other receivables	20,23	1,654,030	1,822,690	1,645,179	1,822,690
Cash and cash equivalents	21	11,010,861	11,618,921	8,609,739	11,609,901
		12,664,891	13,441,611	10,254,918	13,432,591
Total assets		16,398,866	15,462,371	16,426,659	15,462,371
Liabilities					
Current liabilities					
Trade and other payables	22,23	1,499,574	892,364	1,467,826	892,364
		1,499,574	892,364	1,467,826	892,364
Net current assets		11,165,317	12,549,247	8,787,092	12,540,227
Non-current liabilities					
Lease liabilities	2,23	1,189,694	-	1,189,694	-
		1,189,694	-	1,189,694	-
Total liabilities		2,689,268	892,364	2,657,520	892,364
Net assets		13,709,598	14,570,007	13,769,139	14,570,007
Equity					
Called up share capital	24	2,714,956	2,714,956	2,714,956	2,714,956
Share premium account	25	10,839,981	10,839,981	10,839,981	10,839,981
Other reserves	26	212,691	92,446	212,691	92,446
Retained earnings/(accumulated losses)		(59,469)	922,624	1,511	922,624
Foreign currency translation reserve	27	1,439	-	-	-
Total equity		13,709,598	14,570,007	13,769,139	14,570,007

The notes to the financial statements on pages 55 to 83 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 15 April 2020 and are signed on its behalf by:



Alasdair Haynes
CEO



Jonathan Clelland
CFO

AQUIS EXCHANGE PLC COMPANY REGISTRATION NUMBER: 07909192

Statement of Changes in Equity

For the year ended 31 December 2019

Group	Notes	Share Capital £	Share premium £	Other reserves £	Retained earnings/ (Accumulated loss) £	Foreign Currency Translation Reserve £	Total £
Balance at 1 January 2018		17	23,517,321	-	(16,908,527)	-	6,608,811
Loss and total comprehensive loss for the year		-	-	-	(3,417,367)	-	(3,417,367)
Issue of share capital		446,097	10,840,020	-	-	-	11,286,117
Elimination of share premium account		2,268,842	(23,517,360)	-	21,248,518	-	-
Recognition of share option reserve	26	-	-	92,446	-	-	92,446
Balance at 31 December 2018 (as previously presented)		2,714,956	10,839,981	92,446	922,624	-	14,570,007
Impact of adopting new accounting standards	2	-	-	-	(120,369)	-	(120,369)
Balance at 1 January 2019 (restated)		2,714,956	10,839,981	92,446	802,255	-	14,449,638
Loss for the year		-	-	-	(861,724)	-	(861,724)
Foreign exchange differences on translation of foreign operations	27	-	-	-	-	1,439	1,439
Movement in share option reserve	26	-	-	120,245	-	-	120,245
Balance at 31 December 2019		2,714,956	10,839,981	212,691	(59,469)	1,439	13,709,598

For the year ended 31 December 2019

Company	Notes	Share Capital £	Share premium £	Other reserves £	Retained earnings/ (Accumulated loss) £	Foreign Currency Translation Reserve £	Total £
Balance at 1 January 2018		17	23,517,321	-	(16,908,527)	-	6,608,811
Loss and total comprehensive loss for the year		-	-	-	(3,417,367)	-	(3,417,367)
Issue of share capital	24	446,097	10,840,020	-	-	-	11,286,117
Elimination of share premium account	25	2,268,842	(23,517,360)	-	21,248,518	-	-
Recognition of share option reserve	26	-	-	92,446	-	-	92,446
Balance at 31 December 2018 (as previously presented)		2,714,956	10,839,981	92,446	922,624	-	14,570,007
Impact of adopting new accounting standards	2	-	-	-	(120,369)	-	(120,369)
Balance at 1 January 2019 (restated)		2,714,956	10,839,981	92,446	802,255	-	14,449,638
Loss for the year		-	-	-	(800,744)	-	(800,744)
Foreign exchange differences on translation of foreign operations	27	-	-	-	-	-	-
Movement in share option reserve	26	-	-	120,245	-	-	120,245
Balance at 31 December 2019		2,714,956	10,839,981	212,691	1,511	-	13,769,139

Cash Flow Statements

For the year ended 31 December 2019

	Notes	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Cash flows from operating activities					
Cash generated by operations	28	385,606	(4,021,908)	438,105	(4,021,908)
Tax refunded	15	265,254	469,604	265,254	469,604
Finance expense on lease liabilities	2.23	(47,653)	-	(47,653)	-
Net cash inflow from operating activities		603,207	(3,552,304)	655,706	(3,552,304)
Investing activities					
Recognition of intangible assets	17	(562,271)	(422,522)	(562,271)	(422,522)
Purchase of property, plant and equipment	18	(509,342)	(421,934)	(509,342)	(421,934)
Investment in subsidiaries	19	-	-	(2,437,766)	(9,020)
Interest received	13	41,699	30,139	36,303	30,139
Net cash used in investing activities		(1,029,914)	(814,317)	(3,473,076)	(823,337)
Financing activities					
Proceeds from share issue	25	-	12,000,001	-	12,000,001
Principal portion of lease liability	2.23	(182,792)	-	(182,792)	-
Net cash generated from/ (used in) financing activities		(182,792)	12,000,001	(182,792)	12,000,001
Net increase/(decrease) in cash and cash equivalents		(609,499)	7,633,380	(3,000,162)	7,624,360
Cash and cash equivalents at the beginning of the year	21	11,618,921	3,985,541	11,609,901	3,985,541
Effect of exchange rate changes on cash and cash equivalents	27	1,439	-	-	-
Cash and cash equivalents at the end of the year	21	11,010,861	11,618,921	8,609,739	11,609,901

Note to the Financial Statements

For the year ended 31 December 2019

I BASIS OF PREPARATION AND ACCOUNTING POLICIES

Company information

Aquis Exchange PLC is a public limited company which is incorporated and domiciled in the United Kingdom. Its registered office is located at Palladium House, 1-4 Argyll Street, London, W1F 7LD.

Accounting convention

The Group's consolidated and the Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

At the time of approving the financial statements, and notwithstanding the economic uncertainties caused by COVID-19, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

Whilst the Group has made a loss in the year, and after accounting for the acquisition of NEX Exchange Limited, the consolidation of the acquired losses and future diminishing losses of the acquired entity for the foreseeable future, there are substantial cash reserves, and a positive balance sheet, due to high levels of investment within the Group. Additionally, the Directors are confident that the Group will begin to generate profits in the coming years. There has been a growth in revenue of 73% between the current year and comparative year. Additional revenue growth is projected for 2020, with profits forecasted for future years.

Taking the above into account in light of the Group's current position and principal risks as discussed in the Strategic Report section of this annual report, the directors have assessed the prospects of the Group for the foreseeable future and there is no material uncertainty as to the Group's ability to continue to adopt the going concern basis of accounting in preparing the financial statements over a period of at least 12 months from the date of approval of these financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies with all inter-company balances and transactions eliminated. The attribution to non-controlling interests has not been presented since all subsidiaries are 100% held.

There were no discontinued operations in any of the periods presented.

Investments in subsidiary companies' shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate that the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

The results of Aquis Exchange Europe SAS have been consolidated in the group financial statements for the year ended 31 December 2019.

Fair value of financial assets and liabilities measured at amortised cost

The Directors believe that the carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements approximate their fair value, except for technology licensing contract assets which are stated net of any expected credit loss provision in accordance with IFRS 9 as detailed in Notes 11 and 20.

The Group does not hold any financial assets at fair value through profit or loss.

Accounting policies

Revenue

Turnover represents amounts receivable for subscription fees and fees receivable for the licensing of software net of value added tax.

All revenue is generated by contracts with customers and is therefore recognised in accordance with IFRS 15.

Note to the Financial Statements continued

For the year ended 31 December 2019

Revenue for exchange subscription services is recognised in the accounting year in which the services are rendered, by reference to the ongoing contractual obligation to provide subscription-based services.

Revenue from licensing contracts is assessed for each contract and split into three performance obligations:

- Project fees and maintenance fees which are recognised over time as the obligations are met; and
- Licensing fees which are considered a "right to use" licence under IFRS 15 and are therefore recognised at a point in time when control of the licence passes to the customer.

Intangible assets other than goodwill

Internally developed intangible assets arising from the capitalisation of Research and Development expenditures are recognised in the financial statements when all of the following criteria are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale is established;
- There is an intention to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where the above criteria are not met, costs incurred in research and development are recognised in the Statement of Comprehensive Income as incurred.

Intangible assets have been recognised in the financial statements as the Group has concluded that it has been able to reliably measure the expenditure attributable to the intangible asset during its development.

Amortisation is recognised so as to write off the cost or valuation of the assets, less their residual values over their useful lives, on the following basis:

- The development of trading platforms has been amortised straight line over 3 years.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation or impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost or valuation of assets, less their residual values, over their useful lives on the following basis:

- Fixtures, fittings and equipment: 5 years straight line.
- Computer equipment: 3 years straight line.

Impairment of tangible and intangible assets

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

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

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

Fair value measurement

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values because of the short period to maturity and credit risk.

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Financial assets are initially measured at fair value plus transaction costs and are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). In 2019, the Group did not hold any Financial Assets measured at FVTPL.

Note to the Financial Statements continued

For the year ended 31 December 2019

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Other receivables are defined as amounts due that are outside the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Contract assets

Contract assets are recognised for licensing fees recognised at inception of a licensing contract but not yet billed under IFRS 15. Contract assets are initially measured at fair value and subsequently measured at amortised cost and are stated net of any expected credit loss provision (ECL) recognised in accordance with IFRS 9, as detailed in Note 10. Contract assets are presented on the Statement of Financial Position as trade receivables.

Rent deposit asset

As detailed in Note 2, the Group has adopted IFRS 16 with effect from 1 January 2019. Under the standard, a rent deposit is accounted for as a financial asset if:

- The collateral provided to the lessor is not a payment relating to the right to use the underlying assets and hence is not a lease payment as defined;
- The rent deposit asset is a financial asset and is initially recognised at fair value and subsequently measured at amortised cost;
- The difference between the nominal amount and fair value of the rent deposit at the commencement date represents an additional lease payment which is prepaid and is included in initial carrying amount of the Right of Use (ROU) asset; and
- The prepaid ROU portion is subsequently measured in terms of IFRS 16 i.e. is depreciated over the term of the lease.

Further disclosures are provided in Note 2 and Note 23.

Impairment of financial assets

The Group has considered the impact of the application of an expected credit loss model when calculating impairment losses on both current and non-current contract assets (presented within trade and other receivables). In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. Note 11 details the Group's credit risk assessment procedures.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

In 2019 the Group did not hold any Financial liabilities beyond Trade and other payables, Accrued Expenses and the lease liabilities recognised under IFRS 16 as described in note 23.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are not interest bearing and are initially recognised at fair value.

Accrued expenses

Accrued expenses are recognised at fair value and are recognised in the accounting period in which those transactions, events, or circumstances occur.

Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are charged against the share premium account.

Taxation

The tax expense/(credit) represents the sum of the tax currently payable/(repayable) and deferred tax.

Current tax

The current income tax charge/ (credit) is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future measurable taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Pension obligations

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

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

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is adjusted if the modified fair value is less than the original fair value.

Note to the Financial Statements continued

For the year ended 31 December 2019

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

Leases

As disclosed in Note 2, the Group has adopted IFRS 16: Leases from its effective date of 1 January 2019.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are presented as a separate line in the consolidated statement of financial position and are depreciated over the term of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset.

Foreign exchange

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in UK Pound Sterling (£), which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

All foreign exchange gains and losses recognised in the income statement are presented net within 'administrative expenses'.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

Research and development

Expenditure on development is capitalised in the year in which it is incurred. This represents wage costs of various personnel involved in developing the exchange platform and surveillance system. This asset is subsequently amortised as explained in the Intangible Assets accounting policy note.

2 ADOPTION OF NEW AND REVISED STANDARDS AND CHANGES IN ACCOUNTING POLICIES

New IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16: Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in the group accounting policy for leases in Note 1. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- a. Reliance on previous assessments on whether leases are onerous;
- b. The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- c. The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- d. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a Lease.

Impact on opening position for 2019 arising on adoption of IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using

Note to the Financial Statements continued

For the year ended 31 December 2019

the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.15%.

The lease liability recognised on 1 January 2019 was as follows:

	1 January 2019 £
Operating lease commitments discounted using the rate implicit in the lease at the date of the initial application (3.15% p.a.)	1,561,096
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases recognised on a straight-line basis as expense	-
(Less): low-value leases recognised on a straight-line basis as expense	-
(Less): contracts reassessed as service agreements	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at 1 January 2019	1,561,096
Of which:	
Current	182,792
Non-current	1,378,304
	1,561,096

The associated right-of use asset was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 £	01 January 2019 £
Property		
Of which:		
Non-current portion of right of use asset	1,097,827	1,270,993
Current portion of right of use asset	173,166	173,166
	1,270,993	1,444,159

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

	01 January 2019 £
Decrease in rent deposit asset	(61,043)
Increase in right of use assets	1,444,159
Increase in lease liabilities	(1,561,096)
Decrease in accruals	57,611
Net impact on retained earnings	(120,369)

Impact on operating loss:

Operating losses increased by £16k as a result of the change in accounting policy for the year ended 31 December 2019. The Impact on the Consolidated and Company Statement of Comprehensive Income for the year ended 31 December 2019 is as follows:

	31 December 2019 £
Depreciation expense (included in expenses)	(173,166)
Rent expense (included in expenses)	230,445
Finance costs (included in expenses)	(41,115)
Operating loss	16,164
Income tax expense	-
Decrease in operating loss for the year after tax	16,164

The application of IFRS 16 has an impact on the Consolidated and Company Statement of Comprehensive Income in that the charges have been included in depreciation and amortisation costs rather than as in previous years in administrative expenses. In addition, the application of IFRS 16 has an impact on the Comprehensive Statement of Cash Flows of the Group. Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by £230k, being the lease payments, and net cash used in financing activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

The impact on the statement of cash flows for the year ended 31 December 2019 is as follows:

	31 December 2019 £
Finance expense on lease liability	(47,653)
Net cash generated from operating activities	(47,653)
Principal portion of lease liability	(182,792)
Net cash generated from/ (used in) financing activities	(182,792)

The adoption of IFRS 16 did not have an impact on net cash flows.

There is no material impact on other comprehensive income and the basic and diluted EPS as a result of the implementation of IFRS 16.

The Group's leasing activities and how these are accounted for

Aquis Exchange PLC leases its business offices in London. The rental contract is for a fixed period of 5 years from inception of the lease (4 May 2017) with the option to extend for a further 5 years which the Directors are reasonably certain will be exercised. The lease terms contain rent free periods which have been considered in determining the rate implicit in the lease and hence the Group's incremental borrowing cost. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes. Aquis Exchange Europe SAS has no long-term leases of high value, and hence the leased offices in London is the only lease included in the calculation of the lease liability and right of use assets for the Group.

Note to the Financial Statements continued

For the year ended 31 December 2019

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue and adopted by the EU. The Directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Group in future periods:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the group's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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.

Critical judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Capitalisation of internally generated intangible assets resulting from Research and Development

Internally generated intangible assets have been capitalised because, in management's judgement, the criteria for capitalisation under IAS 38 have been met. These assets are amortised over a straight line 3-year period.

Judgements in determining the timing of satisfaction of performance obligations

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether revenue is recognised at a point in time or over time. Following an assessment of the technology licensing contract portfolio, and the obligations that Aquis has under each contract, the Directors are satisfied that obligations contained therein be split into the following performance obligations, and that the revenue from each licensing contract should be assessed individually. The identified performance obligations and the timing of revenue recognition on delivering the licence contracts as follows:

- **Implementation/ project fees:** these are upfront, non-refundable fees that a customer pays in order to obtain the user agreement. Even if the user acceptance certificate is never issued, the implementation fee cannot be reclaimed and so the revenue is guaranteed and can be recognised at the time of invoice as Aquis becomes unconditionally entitled to payment.
- **Licensing fees:** The customer is liable to pay the monthly licensing fee from the date of signing the user acceptance agreement (contract inception date). At this point in time Aquis has fulfilled its promise to deliver the licence (i.e. the system has been deployed in the client's production environment) and this performance obligation is fulfilled. The licensing fees are thus recognised at the point in time the contract is signed.
- **Maintenance fees:** fees to maintain the system are recognised over the course of the licensing contract as Aquis fulfils its performance obligation to maintain the system.

Changes in identification of performance obligations could impact the timing of revenue recognition for licensing contract assets and is thus a critical accounting judgement.

Critical accounting estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Expected credit loss of contract assets

An impairment for the expected credit loss of contract assets that arise as a result of applying IFRS 15 to licensing revenue is required under IFRS 9. This impairment is an accounting estimate which is calculated based on the Directors' best estimates of the probability of default and loss given default. The quantification of the assumptions and stresses for the year are disclosed in Note 11 and 20 of the financial statements.

In arriving at these estimates, the Directors have assessed the range of possible outcomes using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions.

The credit risk assessment is conducted by means of a take-on assessment which comprises of a series of relevant criteria for a licensing contract that are scored according to the specific circumstances of the customer, with scores for each parameter typically ranging from 1-4. The assessment evaluates the following:

- Level of funding;
- Regulatory approvals;
- Market, industry and business model;
- Macro-economic forecasts;
- Corporate governance/Group management;
- Whether the client is revenue generating;
- Level of client profitability;
- Contract length and the associated range of economic scenarios therein;
- Payment history; and
- External credit ratings.

The above assessment will determine the customer category upon inception of the contract, and the inputs to the expected credit loss model is determined thereon.

The credit risk assessment and associated inputs to the expected credit loss model (probability of default and loss given default) are critical assessments that could impact both the provision for expected credit losses as well as the movement in the provision reflected in the income statement. The Directors do not consider there to be a risk of material changes to these estimates in future periods.

4 CORPORATE INFORMATION

Aquis Exchange PLC (the 'Group') is licensed to operate a multilateral trading facility (MTF) enabling members to trade across fourteen European markets and to provide exchange software under licence.

5 FINANCIAL RISK MANAGEMENT

The Group seeks to protect its financial performance and the value of its business from exposure to adverse changes in capital commitments, as well as credit, liquidity and foreign exchange risks.

Note to the Financial Statements continued

For the year ended 31 December 2019

The Group's financial risk management approach is not speculative. The Group's Audit, Risk and Compliance Committee provides assurance that the governance and operational controls are effective to manage risks within the Board-approved risk appetite, supporting a robust Group risk management framework.

The Group's objectives when managing these risks are detailed below.

Capital risk management and capital commitments

Risk Description	Risk management approach
There is a risk that group entities may not maintain sufficient capital to meet their obligations. The Group comprises regulated entities. It considers that: - Increases in the capital requirements of its regulated companies, or - Negative yields on its investments of cash, or - A scarcity of equity (driven by its own performance or financial market conditions) either separately or in combination are the principal risks to managing its capital.	The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders. In order to maintain a strong capital structure, the group may issue new shares, return capital to shareholders or sell assets to ensure capital adequacy requirements are met. The group adopts the following policies and procedures in order to manage its capital requirements: - Regular monitoring of its current and expected levels of liquidity to ensure that it has sufficient funds for working capital requirements; and - Regular monitoring of the Return on Assets (ROA).

The ROA is the amount of net loss returned as a percentage of total assets.

Group

	2019 £	2018 £
Loss for the year	(861,724)	(3,417,367)
Total assets as at 31 December	16,398,867	15,462,371
Return on assets (%)	-5%	-22%

There was no capital expenditure contracted for at the end of the reporting year that had not been provided for.

Externally imposed capital requirements to which the group is subject to have been assessed and complied with in the year. An assessment of the excess of regulatory capital for the Group is as follows:

Group

	2019 £	2018 £
Total equity	13,709,598	14,570,007
Regulatory capital requirements	2,062,772	1,832,432
Excess	11,646,826	12,737,575

Credit risk

Risk Description	Risk management approach
The Group's credit risk relates to its customers being unable to meet their obligations to the Group either in part or in full, as well as credit risk from third parties such as clearing agents and counterparties.	The Directors make a judgement on the credit quality of the group's customers based upon the customers' financial position, the recurring nature of billing and collection arrangements and, historically, a low incidence of default. Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions. Based on this assessment, the prospective customer is assigned to a customer category with an appropriate risk rating. Aquis' credit risk management processes are applied to all trade receivables and are calculated using a lifetime ECL method, as detailed in Note 11. There were no debts written off or past-due as at 31 December 2019.

Liquidity risk

Risk Description	Risk management approach
The Group's operations are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations.	The group maintains sufficient liquid resources to meet its financial obligations as and when they become due in the ordinary course of business. Management monitors forecasts of the Group's cash flow quarterly through an assessment of cash resources that are in excess of regulatory capital requirements. The group is solvent with net current assets in excess of £11.4 million (2018: £12.5 million), with the majority of the debtor's book being short term in nature. The Group is also funded entirely by equity, with no external debt funding obligations to be met.

Note to the Financial Statements continued

For the year ended 31 December 2019

The following tables detail the Group and Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Company can be required to pay. There is no exposure to interest rate changes since the group and company have no external debt obligations, and the interest rate on the lease liability is the rate implicit in the lease and as such is not subject to change over the term of the lease.

Group

	1 Year £	2-5 years £	5+ years £	Total £
31 December 2019				
Trade and other payables	1,499,574	-	-	1,499,574
Lease Liabilities	188,610	692,685	497,037	378,304
	1,688,184	692,685	497,037	2,877,878
31 December 2018				
Trade and other payables	892,364	-	-	892,364
Lease Liabilities	-	-	-	-
	892,364	-	-	892,364

Company

	1 Year £	2-5 years £	5+ years £	Total £
31 December 2019				
Trade and other payables	1,467,826	-	-	1,467,827
Lease Liabilities	188,610	692,658	497,037	1,378,304
	1,656,436	692,658	497,037	2,846,130
31 December 2018				
Trade and other payables	892,364	-	-	892,364
Lease Liabilities	-	-	-	-
	892,364	-	-	892,364

Both the Group and the Company have no derivative financial liabilities.

Foreign exchange

Risk Description	Risk management approach
The Group operates in the UK and Europe, with Sterling as its principal currency of operation. The group companies invoice revenues and incur the majority expenses in GBP. An immaterial amount of expenses are incurred in Euros in relation to the French office. As a result, foreign exchange risk arises mainly from the translation of the Group's foreign currency earnings, assets and liabilities into its reporting currency, Sterling. An immaterial amount of cash held by Aquis Exchange Europe SAS is held in a euro denominated bank account, with the remaining cash held in a Sterling denominated bank account, hedging the group against foreign exchange fluctuations in cash and cash equivalents. Since the net asset value of the Aquis Exchange Europe SAS is predominantly comprised of cash, there is negligible exposure to foreign exchange rate fluctuations.	In order to mitigate the impact of unfavourable currency exchange rate movements on consolidated earnings and net assets, Aquis Exchange Europe SAS maintains the majority of its net assets (primarily comprising regulatory cash) in a Sterling denominated bank account so as to minimise fluctuations in the GBP/EUR exchange rate on a consolidated basis.

6 OPERATING SEGMENTS

Whilst Aquis Exchange PLC provides customers with two products (the exchange and licensing contracts), the Group does not operate these divisions separately but rather as a unit under the same management, operated by the same departments and at the same offices. As such the Group only has one operating segment.

7 EMPLOYEES

The average number of persons (including Executive Directors) employed by the Group during the year was:

Group

	2019 Number	2018 Number
Management	5	4
Operations	5	4
Business Development	3	3
Marketing	1	1
IT	18	16
Finance	2	1
Compliance and Surveillance	3	3
	37	32

Their aggregate remuneration was comprised of:

Group

	2019 £	2018 £
Wages and salaries	3,763,905	3,184,145
Social security costs	436,448	525,376
Other pension costs	274,154	207,751
	4,474,507	3,917,272

Company

	2019 £	2018 £
Wages and salaries	3,565,268	3,184,145
Social security costs	365,363	525,376
Other pension costs	274,154	207,751
	4,204,785	3,917,272

8 RETIREMENT BENEFIT SCHEME

Defined contribution schemes

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The total costs charged to income in respect of defined contribution plans are £274,154 (2018: £207,751).

Note to the Financial Statements continued

For the year ended 31 December 2019

9 DIRECTORS REMUNERATION

Group

	2019 £	2018 £
Remuneration for qualifying services	809,741	840,789
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Remuneration for qualifying services	301,352	341,132

10 REVENUE

An analysis of the Group's revenue is as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Revenue analysed by class of business				
Subscription fees	5,285,000	3,100,839	5,021,000	3,100,839
Licence fees	1,269,362	737,530	1,269,362	737,530
Data vendor fees	337,632	143,541	337,632	143,541
	6,891,994	3,981,910	6,627,994	3,981,910

Revenues from customers attributable to the United Kingdom and the rest of the world is as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Revenue analysed by region				
United Kingdom	5,200,390	2,951,033	5,200,390	2,951,033
Rest of World	1,691,604	1,030,877	1,427,604	1,030,877
	6,891,994	3,981,910	6,627,994	3,981,910

No revenue from customers whose revenue is solely attributed to a single foreign country is material.

Subscription fees and data vendor fees:

Subscription fees and data vendor fees are accounted for under IFRS 15 and are all recognised at point in time as they reflect variable revenue determined on a monthly basis.

The Group recognises subscription fees, data vendor fees, and connectivity fees when the customer conformance test is satisfactorily concluded, and an acceptance certificate is issued. This is then verified by the customer starting to utilise the platform, which is the point in time that the Group determines that the customer has obtained control of the goods.

The Group determines the transaction price based primarily on the competitive landscape. In the case of subscription, connectivity and data fees, invoices are raised monthly in arrears and there is no obligation for a refund, return or any other similar obligation. There is no constrained variable consideration in any customer contracts, and the transaction price is allocated in full at a single point in time when the customer obtains control of the goods.

Licence fees:

Aquis Exchange PLC provides technology services under licence to clients. The services comprise the provision of an exchange platform and / or a surveillance system and may also include support services comprising basic infrastructure support or additional services (including with the SaaS model, for example with some surveillance clients). The duration of the licences varies between 1 and 5 years and will consist of an implementation fee, and, post implementation, a monthly licence fee for the duration of the contract. The monthly fees also cover system maintenance and system upgrades that typically occur every 12 – 18 months. The licensing contracts are accounted for under IFRS 15 and any corresponding contract assets are subject to IFRS 9 provisioning, as disclosed further in Note 11.

The revenue from licensing contracts with customers has been categorised reflecting the nature, amount, customer categorisation (see also Note 11), contract duration and uncertainty of revenue and cash flows. Revenue from licensing contracts is assessed for each contract and is recognised as and when each performance obligation is satisfied.

The Group determines the transaction price of the licensing contract based primarily on the competitive landscape. For licensing contracts, the Group has assessed the probability of being required to make a return / refund by analysing each client individually. The transaction price is allocated according to the Group's obligations to the client over the course of the licence period. There is no constrained variable consideration in any customer contracts.

Performance obligation (PO)	Recognition of revenue upon completion
PO1: Implementation fees	Implementation/ project fees are upfront, non-refundable fees that a customer pays in order to obtain the user agreement. Even if the user acceptance certificate is never issued, the implementation fee cannot be reclaimed and so the revenue is guaranteed and can be recognised at the time of invoice as Aquis becomes unconditionally entitled to payment.
PO2: Licensing fees	At a point in time upon signing the user acceptance agreement as the Group has fulfilled its promise to deliver the licence (i.e. the system has been deployed in the client's production environment). A corresponding contract asset (trade receivable) is recognised to reflect the customers obligation to pay the monthly licensing fee over the remaining term of the contract.
PO3: Maintenance fees	Over the course of the licensing contract as the performance obligation to maintain the system is settled over time as the customer benefits from using the system.

The aggregate amount of the transaction price per customer category that has been allocated to the performance obligations for the year is as follows:

Group

Category	2019				2018			
	£	£	£	£	£	£	£	£
	1	2	3	4	1	2	3	4
PO1	135,000	-	-	50,000	60,000	50,000	-	-
PO2	171,000	-	203,707	247,608	323,100	182,280	-	-
PO3	740	128,995	18,287	4,453	95,850	16,809	-	-
	306,740	128,995	221,994	302,133	478,950	249,089	-	-

Customer risk category definitions: 1 – High, 2 – Moderately High, 3 – Moderately Low and 4 – Low. The licensing fees line item also includes connectivity fees for licensing contract customers that are recognised at a point in time as they reflect variable revenue determined on a monthly basis.

II IMPAIRMENT

Aquis Exchange PLC enters into technology licensing contract assets with customers that are subject to IFRS 9 provisioning based on management estimates of the collectability of contracts over their useful life and is re-assessed annually. The movement in the provision balance is as follows:

Group

	2019 £	2018 £
Balance of impairment provisions at the beginning of the year	695,834	1,120,028
Impairment credit	(242,585)	(424,194)
Balance of impairment provisions at the end of the year	453,249	695,834

During contract negotiation Aquis assesses the potential credit risk of a prospective client prior to committing to the contract. Aquis' assessment of the credit risk associated with a licensing customer is conducted at inception of the contract (but before the user agreement

Note to the Financial Statements continued

For the year ended 31 December 2019

is signed) and includes factors that are specific to the customer, general economic conditions and an assessment of both the current as well as the forecast direction of these conditions. Based on this assessment, the prospective customer is assigned to a customer category with an appropriate risk rating. Aquis reassesses the risk ratings annually and undertakes another assessment to determine if macro-economic factors could have a bearing on the success of the client and the recoverability of the outstanding debt. Aquis credit risk management processes are applied to all trade receivables and are calculated using a lifetime expected credit loss method.

The portfolio of technology contracts held by Aquis having probabilities of default evolve over time, since the credit risk of the contracts is directly linked to the success of the customers' business including their ability to raise capital, which itself changes with time.

The credit risk of Aquis' technology clients ranges from those that are in infant start up stages (riskier) to those that are highly liquid and solvent conglomerates (little to no risk), and the Directors assign a probability of default to each customer as a quantification of this risk and how it evolves over the life of the contract. The loss given default is also quantified on a customer-by-customer basis and is done through an assessment of the recovery rate the Directors anticipate will be applied to the customer in the event of liquidation. Currently the low number of technology clients allows Aquis to assess each contract individually on the appropriate probability of default level, including any future macro-economic changes, the sensitivity to these potential changes and the impact that these may have.

The £453,249 expected credit loss provision for the year (2018: £695,834) has been calculated with reference to estimations based on the probability of default and a loss given default as described above, and has been analysed for each individual contract taking into account the nature, amount, customer categorisation, contract duration and uncertainty of revenue and cash flows.

As at 31 December 2019, the average contract duration for the portfolio of technology contracts is 2.5 years. Since the contracts are short-to-medium term in nature (and credit risk assessments are reperformed upon contract renewal), the Directors are therefore comfortable that a range of economic scenarios are captured within the customer category risk assessment as the resulting key inputs assigned upon inception will be so close to the median of a range of economic scenarios that they are, in substance, equal. The Directors have, however, assessed the impact of changes in credit losses and their sensitivity to changes in these significant assumptions as a result of macro-economic developments. In order to quantify the impact of movement in credit losses that occur as a result of macro-economic developments, the Directors have flexed the probability of default associated with each client category in three scenarios: a base case (maintaining status quo), a worst case (an increase in the probability of default of 10% from the base case), and a best case (a decrease in the probability of default of 10% from the base case).

The range of outcomes is detailed in the table below:

Group	Worst Case (+10%)	Base Case	Best Case (-10%)
At 31 December 2019	£	£	£
Impairment provision	989,668	453,249	134,599

12 ADMINISTRATIVE EXPENSES

Operating loss is stated after charging:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Administrative expenses				
Fees payable to the Group's auditor for the audit of the Group's financial statements	86,291	52,500	57,250	52,500
Share-based payments (see below)	120,245	92,446	120,245	92,446
Exchange loss/(gains)	(7,483)	3	(7,483)	3
Employee costs	4,474,507	3,917,272	4,204,785	3,917,272
Other administrative expenses	2,660,390	2,115,131	2,628,777	2,415,431
	7,333,950	6,477,652	7,003,574	6,477,652

Other administrative expenses comprise marketing fees, data centre and other service fees incurred in the ordinary course of business.

Treatment of Stock Options

There is one approved EMI scheme. Options vest in 3 equal tranches, one, two and three years after grant. The options expire after 10 years.

No new stock options under the EMI scheme were granted during the year, because on the 30th of November 2019 the group deferred the issue of 2019 share options until March 2020.

Of the options granted in previous periods, none were exercised or expired and 3,718 were forfeited during the year.

In accordance with IFRS 2, the group has estimated the fair value of options granted in previous periods using a US binomial option valuation model and spread the estimated value against the Profit and Loss account over the life of the vesting period. The options exercise price for these options granted in prior years is £2.69 per share to be settled in cash at the date of exercise. The weighted average remaining contractual life of options outstanding at the end of the reporting period amounted to 1 years 5.5 months.

The valuation method used to estimate the fair value of the awards was the US binomial method with an average expiry duration of 5 years, volatility of 24 and risk-free interest rate of 1.1067%.

Details of the EMI scheme are as follows:

• Outstanding at the beginning of the period	564,124
• Granted during the period	-
• Forfeited during the period	(3,718)
• Exercised during the period	-
• Expired during the period	-
• Outstanding at the end of the period	560,406
• Exercisable at the end of the period	186,802

All options are exercisable at a price of £2.69 and the weighted average remaining contractual life is estimated to be 5 years.

Note to the Financial Statements continued

For the year ended 31 December 2019

Loss before taxation is stated after charging:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Depreciation, amortisation and finance costs				
Depreciation of property, plant and equipment	481,611	162,493	481,611	162,493
Amortisation of intangible assets	446,580	449,001	446,580	449,001
	928,191	611,494	928,191	611,494
Net finance expense (Note 23)	41,115	-	41,115	-
	969,306	611,494	969,306	611,494

Total expenses were as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Total expenses				
Expenses	8,303,256	7,089,146	7,972,881	7,089,146

13 INVESTMENT INCOME

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Interest income				
Bank deposits	41,699	30,139	36,303	30,139

14 EXCEPTIONAL ITEMS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Exceptional costs	-	(1,011,853)	-	(1,011,853)

The costs incurred for listing were included as exceptional costs for the year ending 31 December 2018. There were no exceptional costs for the year ending 31 December 2019.

15 INCOME TAX

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current tax				
Adjustments in respect of prior periods	(265,254)	(247,389)	(265,254)	(247,389)

There were no deferred tax assets or liabilities recognised as at 31 December 2019 (2018: nil deferred tax assets and liabilities).

The credit for the year can be reconciled to the loss per the income statement as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Loss for the year before taxation	(861,724)	(3,664,756)	(1,065,998)	(3,664,756)
Expected tax credit based on a corporation tax rate of 19.00%	(163,728)	(696,304)	(202,540)	(696,304)
Effect of expenses not deductible in determining taxable profit	33,784	188,180	72,596	188,180
Unutilised tax losses carried forward	183,880	537,478	183,880	537,478
Permanent capital allowances in excess of depreciation	(52,765)	(29,355)	(52,765)	(29,355)
Depreciation on assets not qualifying for tax allowances	(1,171)	-	(1,171)	-
Research and development tax credit	(265,254)	(247,389)	(265,254)	(247,389)
Taxation credit for the year	(265,254)	(247,389)	(265,254)	(247,390)

The Company has estimated losses of £18,386,969 (2018: £18,180,329) available for carry forward against future trading profits.

16 EARNINGS PER SHARE

	Group		Company	
	2019	2018	2019	2018
Number of Shares				
Weighted average number of ordinary shares for basic earnings per share	27,149,559	16,433,338	27,149,559	16,433,338
Weighted average number of ordinary shares for diluted earnings per share	27,713,683	17,086,835	27,713,683	17,086,835
Earnings				
Loss for the year from continued operations	(861,724)	(3,417,367)	(800,744)	(3,417,367)
Basic and diluted earnings per share (pence)				
Basic earnings per ordinary share	(3)	(21)	(3)	(21)
Diluted earnings per ordinary share	(3)	(20)	(3)	(20)

Basic earnings per share is in respect of all activities of the Group and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of all outstanding share options and share awards under the Employee Share Incentive Plan (SIP).

Note to the Financial Statements continued

For the year ended 31 December 2019

17 INTANGIBLE ASSETS

	Group Developed trading platforms £	Company Developed trading platform £s
Cost		
As at 31/12/2017	1,070,533	1,070,533
Additions- internally generated	422,522	422,522
As at 31/12/2018	1,493,055	1,493,055
Additions- internally generated	562,271	562,271
As at 31/12/2019	2,055,326	2,055,326
Accumulated amortisation and impairment		
As at 31/12/2017	406,515	406,515
Charge for the year	449,001	449,001
As at 31/12/2018	855,516	855,516
Charge for the year	446,580	446,580
As at 31/12/2019	1,302,096	1,302,096
Carrying amount		
As at 31/12/2019	753,230	753,230
As at 31/12/2018	637,539	637,539

18 PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures, fittings and equipment £	Computer Equipment £	Non-current Right of Use Asset £	Total £
Cost				
As at 31/12/2017	233,669	1,182,823	-	1,416,492
Additions	12,794	409,140	-	421,934
As at 31/12/2018	246,463	1,591,963	-	1,838,426
Additions	3,034	506,308	-	509,342
Recognition of IFRS 16 Right of Use Asset	-	-	1,444,159	1,444,159
As at 31/12/2019	249,497	2,098,270	1,444,159	3,791,927
Accumulated depreciation and impairment				
As at 31/12/2017	28,801	1,105,199	-	1,134,000
Charge for the year	48,801	113,692	-	162,493
As at 31/12/2018	77,602	1,218,891	-	1,296,493
Charge for the year	49,970	258,475	173,166	481,611
As at 31/12/2019	127,572	1,477,366	173,166	1,778,104
Carrying amount				
As at 31/12/2019	121,925	620,905	1,270,993	2,013,823
As at 31/12/2018	168,861	373,072	-	541,933

Company

	Fixtures, fittings and equipment	Computer Equipment	Non-current Right of Use Asset	Total
Cost				
As at 31/12/2017	233,669	1,182,823	-	1,416,492
Additions	12,794	409,140	-	421,934
As at 31/12/2018	246,463	1,591,963	-	1,838,426
Additions	3,034	506,308	-	509,342
Recognition of IFRS 16 Right of Use Asset	-	-	1,444,159	1,444,159
As at 31/12/2019	249,497	2,098,270	1,444,159	3,791,927
Accumulated depreciation and impairment				
As at 31/12/2017	28,801	1,105,199	-	1,134,000
Charge for the year	48,801	113,692	-	162,493
As at 31/12/2018	77,602	1,218,891	-	1,296,493
Charge for the year	49,970	258,475	173,166	481,611
As at 31/12/2019	127,572	1,477,366	173,166	1,778,104
Carrying amount				
As at 31/12/2019	121,925	620,905	1,270,993	2,013,823
As at 31/12/2018	168,861	373,072	-	541,933

Note to the Financial Statements continued

For the year ended 31 December 2019

19 INVESTMENT IN SUBSIDIARIES

Company

	2019 £	2018 £
Investment in subsidiaries	2,437,766	9,020

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Name of business
Aquis Exchange Europe SAS	France	100	100	European Equities Exchange

The registered office of Aquis Exchange Europe SAS is 231 rue Saint Honoré, 75001 Paris, France.

20 TRADE AND OTHER RECEIVABLES

Group

	Current		Non-current		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Trade receivables	1,481,086	1,518,654	751,629	564,754	2,232,715	2,083,408
Other receivables	6,736	7,953	215,293	276,534	222,029	284,487
Prepayments	166,208	296,083	-	-	166,208	296,083
	1,654,030	1,822,690	966,922	841,288	2,620,952	2,663,978

Company

	Current		Non-current		Total	
	2019 £	2018 £	2019 £	2018 £	2019 £	2018 £
Trade receivables	1,472,235	1,518,654	751,629	564,754	2,223,864	2,083,408
Other receivables	6,736	7,953	215,293	276,534	222,029	284,487
Prepayments	166,208	296,083	-	-	166,208	296,083
	1,645,179	1,822,690	966,922	841,288	2,612,102	2,663,978

The following details the trade receivables that are stated net of any credit impairment provision, as set out previously in Note 11 in accordance with IFRS 9.

Trade receivables

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Gross trade receivables	2,685,963	2,779,242	2,677,112	2,779,242
Impairment	(453,248)	(695,834)	(453,248)	(695,834)
Trade receivables net of provisions	2,232,715	2,083,408	2,223,864	2,083,408

The Group has gross trade receivables of £133,883 (2018: £nil) with a related impairment provision of £nil (2018: £nil) that have an associated credit rating grade of A+/A-1 for long term and short term counter party credit respectively (source: S&P). The remainder of the group's trade receivable balances do not have established credit ratings.

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Cash at bank	11,010,861	11,618,921	8,609,739	11,609,901

Cash and cash equivalents are held with authorised counterparties of a high credit standing, in secured investments. Management does not expect any losses from non-performance by the counterparties holding cash and cash equivalents, and there are no material differences between their book and fair values.

Cash held by Aquis Exchange Europe SAS is predominately held in a Sterling denominated bank account, hedging the group against foreign exchange fluctuations in cash and cash equivalents of the subsidiary.

22 TRADE AND OTHER PAYABLES

Current

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	130,396	153,144	215,031	153,144
Accruals	1,053,313	681,010	1,034,636	681,010
Social security and other taxation	173,540	10,494	173,540	10,494
Other payables	142,325	47,716	44,619	47,716
	1,499,574	892,364	1,467,826	892,364

23 LEASES

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The impact of adopting IFRS 16 for the first time during the year ended 31 December 2019 (including the effect on the opening balance on retained earnings since the group has elected to not restate comparatives for the 2018 reporting period) is detailed in Note 2.

The impact on the Group's assets and liabilities, and the related effects on profit and loss, of the Group's leasing activities (the Group as a lessee) are detailed below.

Right of Use Assets

The right of use asset was measured at the amount equal to the lease liability, plus prepaid lease payments (being the unamortised portion of the rent deposit asset). The right of use asset is depreciated over the term of the lease and was accounted for during the year ended 31 December 2019 as follows:

	Property £
Carrying amount at 1 January 2019	1,444,159
Depreciation for the year	(173,166)
Carrying amount at 31 December 2019	1,270,993
Of which:	
Current	173,166
Non-current	1,097,827
	1,270,993

The non-current and current portions of the right of use asset are included in 'Property, Plant and Equipment' and Trade and Other Receivables on the Statement of Financial Position respectively.

Note to the Financial Statements continued

For the year ended 31 December 2019

Rent deposit asset

The rent deposit asset (excluding the prepaid right of use portion which has been included in the calculation of the right of use asset above) is a financial asset measured at amortised cost and was accounted for during the year ended 31 December 2019 as follows:

	Rent deposit asset £
Carrying amount at 1 January 2019	215,491
Finance income on rent deposit asset for the year	6,538
Carrying amount at 31 December 2019	222,029
Of which:	
Current	6,736
Non-current	215,293
	222,029

The non-current and current portions of the rent deposit asset are both included in Trade and Other Receivables on the Statement of Financial Position.

Lease liability

The lease liability is calculated as the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable (e.g. any rent-free periods). The lease payments are discounted using the interest rate implicit in the lease. The lease liability is measured at amortised cost and was accounted for during the year ended 31 December 2019 as follows:

	Lease liability £
Carrying amount at 1 January 2019	1,561,096
Finance expense on lease liability for the year	47,653
Lease payments made during the year	(230,445)
Carrying amount at 31 December 2019	1,378,304
Of which:	
Current	188,610
Non-current	1,189,694
	1,378,304

The non-current and current portions of the lease liability are included in 'Lease liability' and Trade and Other Payables on the Statement of Financial Position respectively.

Net finance expense on leases

	31 December 2019 £
Finance expense on lease liability	47,653
Finance income on rent deposit asset	(6,538)
Net finance expense relating to leases	41,115

The finance income and finance expense arising from the Group's leasing activities as a lessee have been shown net where applicable as is permitted by IAS 32 where criteria for offsetting have been met.

Amounts recognised in profit and loss

	31 December 2019 £
Depreciation expense on right-of-use assets	(173,166)
Finance expense on lease liability	(47,653)
Finance income on rent deposit asset	6,538
Net impact of leases on profit or loss	(214,281)

The property lease (of which there is only one) in which the Group is the lessee does not contain variable lease payment terms.

The total cash outflow for leases amounts to £230,445 (2018: £230,445).

24 SHARE CAPITAL

Group

	2019 £	2018 £
Ordinary share capital		
<i>Issued and fully paid</i>		
27,149,559 Ordinary shares of 10p each	2,714,956	2,714,956
	2,714,956	2,714,956

25 SHARE PREMIUM ACCOUNT

Group

	2019 £	2018 £
At the beginning of the year	10,839,981	23,517,321
Issue of new shares	-	10,840,020
Share capital reduction	-	(23,517,360)
At the end of the year	10,839,981	10,839,981

26 OTHER RESERVES

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Reserves relating to share-based payments	212,691	92,446	212,691	92,446

Note to the Financial Statements continued

For the year ended 31 December 2019

27 FOREIGN CURRENCY TRANSLATION RESERVE

In March 2019 the Company successfully applied for regulatory approval to operate a Multilateral Trading Facility (MTF) in France through a subsidiary, Aquis Exchange Europe SAS. The translation of the European subsidiary into Sterling, the functional currency of the Group, results in foreign exchange differences that have been recognised in Other Comprehensive Income and accumulated in a separate component of equity as illustrated below.

Group

	2019 £	2018 £
At the beginning of the year	-	-
Foreign exchange differences on translation of foreign operations recognised in OCI	1,439	-
At the end of the year/period	1,439	-

28 CASH GENERATED BY OPERATIONS

Group

	2019 £	2018 £
Loss for the year after tax	(861,724)	(3,417,367)
Adjustments for:		
Taxation credited	(265,254)	(247,389)
Investment income	(41,699)	(30,139)
Amortisation and impairment of intangible assets	446,580	449,001
Depreciation and impairment of property, plant and equipment	481,611	162,493
Equity settled share-based payment expense	120,245	92,446
Other gains/losses	(24,020)	(713,884)
Gains/losses on transition of accounting standards	(120,369)	-
Movement in working capital:		
Decrease in trade and other receivables	43,026	(933,522)
Increase in trade and other payables	607,210	616,453
Cash generated/(absorbed) by operations	385,606	(4,021,908)

Company

	2019 £	2018 £
Loss for the year after tax	(800,744)	(3,417,367)
Adjustments for:		
Taxation credited	(265,254)	(247,389)
Investment income	(36,303)	(30,139)
Amortisation and impairment of intangible assets	446,580	449,001
Depreciation and impairment of property, plant and equipment	481,611	162,493
Equity settled share-based payment expense	120,245	92,446
Other gains/losses	(15,000)	(713,884)
Gains/losses on transition of accounting standards	(120,369)	-
Movement in working capital:		
Decrease in trade and other receivables	51,876	(933,522)
Increase in trade and other payables	575,463	616,453
Cash generated/(absorbed) by operations	438,105	(4,021,908)

29 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Group

	2019 £	2018 £
Short-term employee benefits	602,195	681,924

30 CONTROLLING PARTY

In the opinion of the Directors, there is no single overall controlling party.

31 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 4 March 2020 the Financial Conduct Authority ('FCA') approved the acquisition of 100% of NEX Exchange Limited's share capital by Aquis Exchange PLC for a consideration of £2.87m (£1 plus current working capital, the majority of which comprises regulatory cash). Group financial statements for future periods will include the consolidation of NEX Exchange Limited from the date of control transfer (11 March 2020) and related business combination disclosure.

The Directors have assessed COVID-19 as a non-adjusting post balance sheet event given that, at the balance sheet date, few cases had been confirmed and the virus had only just been identified. It is possible that this may have an adverse effect on the Group; however, at this stage the Directors are unable to quantify what the effect could be on the Group's activities.

DIRECTORS

N Beattie
R Bennett
J Clelland
G Collinson (Appointed 7 January 2019, resigned 24 March 2020)
A Haynes
M Spanbroek

COMPANY NUMBER

07909192

REGISTERED OFFICE

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AUDITOR

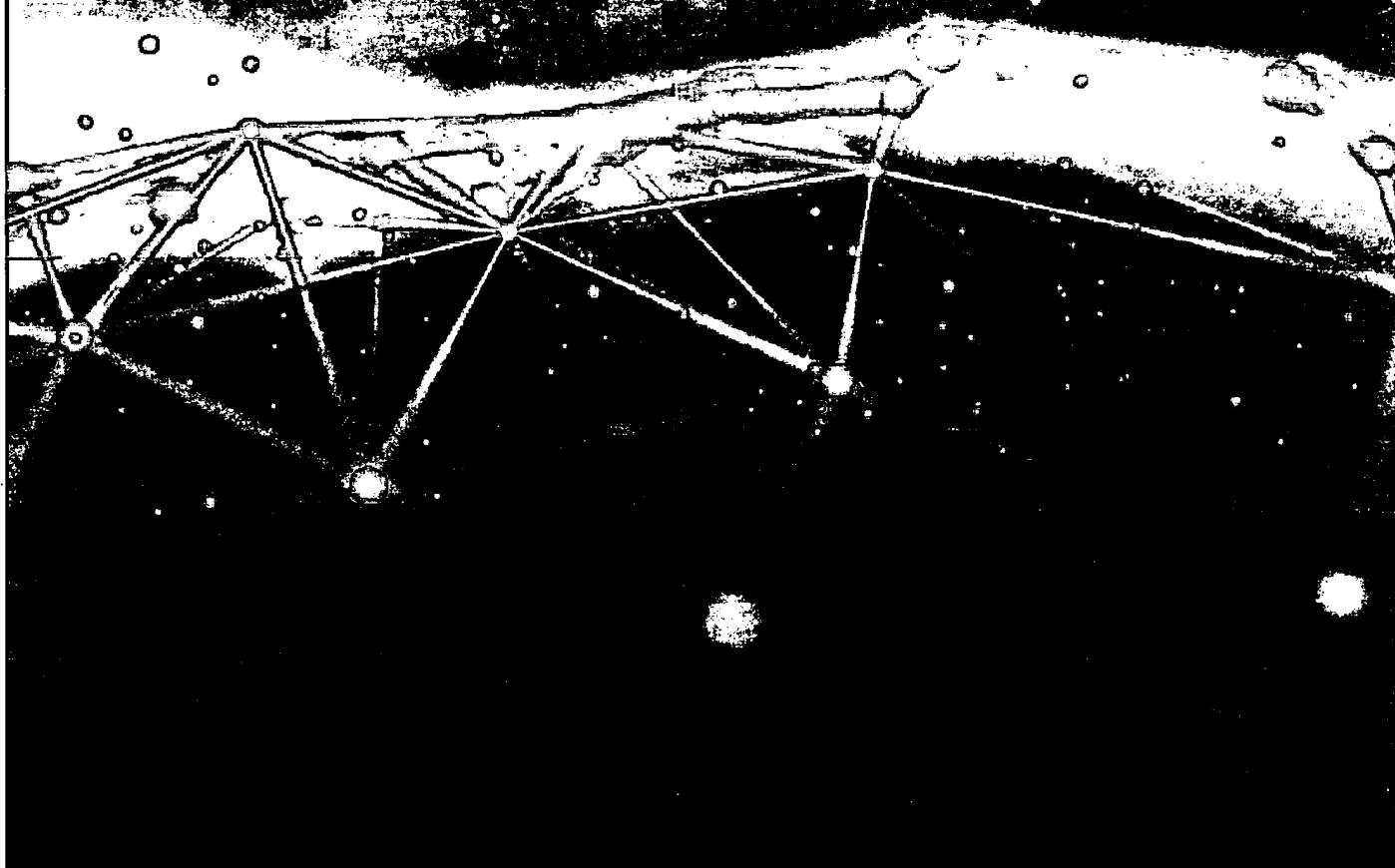
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