

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
28 FEBRUARY 2021

PQ SOLUTIONS LIMITED

PQ SOLUTIONS LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | A Cheng S Power C Tjhai M Tomlinson S Chow (resigned 20 April 2021) |
| Company secretary | A Cheng |
| Registered number | 6808505 |
| Registered office | 64 Southwark Bridge Road London England SE1 0AS |
| Independent auditors | Menzies LLP Chartered Accountants & Senior Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT |

PQ SOLUTIONS LIMITED

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PQ SOLUTIONS LIMITED
REGISTERED NUMBER:6808505

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2021

| | Note | 28 February 2021 £ | <i>Unaudited</i> 29 February 2020 £ |
|---|------|--------------------------|--|
| Fixed assets | | | |
| Tangible assets | 4 | 2,481 | 8,614 |
| Investments | 5 | 935 | 935 |
| | | <u>3,416</u> | <u>9,549</u> |
| Current assets | | | |
| Debtors: amounts falling due within one year | 6 | 313,010 | 580,799 |
| Cash at bank and in hand | | 662,585 | 589,390 |
| | | <u>975,595</u> | <u>1,170,189</u> |
| Creditors: amounts falling due within one year | 7 | (1,268,554) | (1,150,098) |
| Net current (liabilities)/assets | | <u>(292,959)</u> | <u>20,091</u> |
| Total assets less current liabilities | | <u>(289,543)</u> | <u>29,640</u> |
| Creditors: amounts falling due after more than one year | 8 | (9,748,395) | (7,841,433) |
| Net liabilities | | <u>(10,037,938)</u> | <u>(7,811,793)</u> |
| Capital and reserves | | | |
| Called up share capital | | 189,759 | 189,759 |
| Share premium account | | 742,736 | 742,736 |
| Equity reserve | | 3,949,958 | 3,223,361 |
| Share based payment reserve | | 775,824 | 531,133 |
| Profit and loss account | | (15,696,215) | (12,498,782) |
| | | <u>(10,037,938)</u> | <u>(7,811,793)</u> |

PQ SOLUTIONS LIMITED
REGISTERED NUMBER:6808505

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 28 FEBRUARY 2021

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

A Cheng
Director
Date: 30 June 2021

The notes on pages 4 to 13 form part of these financial statements.

PQ SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2021

| | Called up share capital | Share premium account | Equity reserve | Share based payment reserve | Profit and loss account | Total |
|------------------------------------|----------------------------|-----------------------------|-------------------|-----------------------------------|----------------------------|---------------------|
| | £ | £ | £ | £ | £ | £ |
| At 1 March 2019 - Unaudited | 189,759 | 742,736 | 2,970,749 | 315,777 | (9,714,615) | (5,495,594) |
| Loss for the year | - | - | - | - | (2,784,167) | (2,784,167) |
| Stock option charge | - | - | - | 215,356 | - | 215,356 |
| Fair value movement | - | - | 252,612 | - | - | 252,612 |
| At 1 March 2020 - unaudited | <u>189,759</u> | <u>742,736</u> | <u>3,223,361</u> | <u>531,133</u> | <u>(12,498,782)</u> | <u>(7,811,793)</u> |
| Loss for the year | - | - | - | - | (3,197,433) | (3,197,433) |
| Stock option charge | - | - | - | 244,691 | - | 244,691 |
| Fair value movement | - | - | (23,403) | - | - | (23,403) |
| Advance subscription | - | - | 750,000 | - | - | 750,000 |
| At 28 February 2021 | <u>189,759</u> | <u>742,736</u> | <u>3,949,958</u> | <u>775,824</u> | <u>(15,696,215)</u> | <u>(10,037,938)</u> |

The notes on pages 4 to 13 form part of these financial statements.

During the year the Company has received advance payment of £750,000 for the subscription of shares which will be converted on the first anniversary of the advance agreement or if earlier should a Subscription Event occur. The advance is not repayable under any circumstance and no interest is payable on this amount.

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

1. General information

PQ Solutions Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 64 Southwark Bridge Road, London, England, SE1 0AS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

In preparing the accounts on the going concern basis, the directors have given consideration to the company's results for the year and the company's net liabilities position. The Company incurred a loss before tax of £3,452,526 and had net liabilities of £10,037,938 for the year end 28 February 2021. The Company is currently financed by way of initial funding received through the issue of preference shares and other loans from investors. The Company will require further funding to continue to meet its obligations as they fall due in the foreseeable future.

The receipt of further funding, is currently under discussion with a number of potential funding providers, and the directors, after considering cash flow requirements for the 12 month period from the date of approval of these financial statements, are confident the company will successfully obtain sufficient further funding in the very near future and continue to be able to pay its liabilities as they fall due. The Company has pledged to continue to raise funding for the business in the next 12 months from the date of approval of the accounts.

The Company has always been set-up to deliver work to clients remotely which offers it an advantage during the pandemic as staff are used to working from home. The products and services offered by the company are sold in sectors that are driven by regulation leading to a strong business case for clients to continue to buy.

The directors consider it is appropriate for the financial statements to be prepared on the going concern basis based on their forecasts and action plans in place.

2.4 Revenue

Revenue is recognised to the extent that services are provided to customers over a period of time. It is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts and sales related taxes.

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

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

2.6 Research and development

Research and development expenditure is written off against profits in the year in which it is incurred.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Share based payments

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

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

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

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

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

2. Accounting policies (continued)

2.9 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---------------------|---------|
| Plant and machinery | - |
| | 4 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

2. Accounting policies (continued)

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

2.13 Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components and presented separately in the Statement of Financial Position.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

3. Employees

The average monthly number of employees, including directors, during the year was 12 (2020 -13).

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

4. Tangible fixed assets

| | Plant and machinery £ |
|--|-----------------------------|
| Cost or valuation | |
| At 1 March 2020 | 126,441 |
| Disposals | (1,880) |
| At 28 February 2021 | <u>124,561</u> |
| Depreciation | |
| At 1 March 2020 | 117,827 |
| Charge for the year | 5,932 |
| Disposals | (1,679) |
| At 28 February 2021 | <u>122,080</u> |
| Net book value | |
| At 28 February 2021 | <u>2,481</u> |
| <i>At 29 February 2020 - unaudited</i> | <u>8,614</u> |

5. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 March 2020 | 935 |
| At 28 February 2021 | <u>935</u> |

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

6. Debtors

| | 28 February 2021 £ | <i>Unaudited 29 February 2020 £</i> |
|------------------------------------|-----------------------------------|---|
| Amounts owed by group undertakings | 27,492 | 4,964 |
| Other debtors | 13,950 | 102,414 |
| Prepayments and accrued income | 16,475 | 22,837 |
| Tax recoverable | 255,093 | 450,584 |
| | <u>313,010</u> | <u>580,799</u> |

7. Creditors: Amounts falling due within one year

| | 28 February 2021 £ | <i>Unaudited 29 February 2020 £</i> |
|------------------------------------|-----------------------------------|---|
| Other loans | 760,805 | 704,590 |
| Trade creditors | 47,843 | 55,240 |
| Amounts owed to group undertakings | 934 | 934 |
| Other taxation and social security | 53,727 | 54,775 |
| Other creditors | 280,764 | 232,101 |
| Accruals and deferred income | 124,481 | 102,458 |
| | <u>1,268,554</u> | <u>1,150,098</u> |

During the year, the company received a loan of £756,000 (2020: £700,000) from an angel investor. The loan is repayable on demand and has interest charged at a rate of 8% and is included in other loans.

Within other creditors balance are directors' loan accounts which are repayable on demand.

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

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

| | 28 February 2021 £ | <i>Unaudited</i> 29 February 2020 £ |
|--|-----------------------------------|--|
| Other creditors | 220,000 | 220,000 |
| Share capital treated as debt (Note 9) | 9,528,395 | 7,621,433 |
| | <u>9,748,395</u> | <u>7,841,433</u> |

Other creditors include amounts due to the company directors which are not repayable within the next 12 months. These amounts are interest-free.

In relation to the share capital treated as debt, the Directors consider that the Company will not be in a position to redeem these shares within one year of the accounting reference date and therefore it is appropriate for the preference shares to continue to be treated as a non-current liability until such time that the redemption terms can be satisfied in accordance with the Articles of Association.

9. Share capital

| | 28 February 2021 £ | <i>Unaudited</i> 29 February 2020 £ |
|--|-----------------------------------|--|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 18,975,900 (2020 -18,975,900) Ordinary shares of £0.01 each | <u>189,759</u> | <u>189,759</u> |
| | 28 February 2021 £ | 29 February 2020 £ |
| Shares classified as debt | | |
| Allotted, called up and fully paid | | |
| 952,839,500 (2020 -762,143,300) Preference shares shares of £0.01 each | <u>9,528,395</u> | <u>7,621,433</u> |

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

9. Share capital (continued)

On 12 May 2016, £6m of preference shares were issued. These are convertible by the shareholder into ordinary shares of the company at a rate of 1 share for every £0.01 preference shares at any time in between 12 May 2016 and 11 May 2021. At the date of issue the fair value of the liability component was deemed to be £2,937,387. The difference between the proceeds of the issue and the fair value assigned to the liability is included in equity. Transactions costs of £45,673 have been allocated to the liability component and £46,192 to the equity component in line with their reflective fair values at the date of issue.

At 28 February 2021, the liability component was unwound at a rate of 15% to £8,356,449 (2020: £6,709,137), with interest payable of £1,647,312 (2020: £1,328,509) being recognised in the Statement of Comprehensive Income.

On 26 April 2019, an additional £1m of preference shares were issued. These are convertible by the shareholder into ordinary shares of the company at a rate of 1 share for every £0.01 preference shares at any time in between 26 April 2019 and 11 May 2021. At the date of issue, the fair value of the liability component was deemed to be £747,388. The difference between the proceeds of the issue and the fair value assigned to the liability is included in equity. No transactions costs were recognised in respect of this transaction.

At 28 February 2021, the liability component was unwound at a rate of 15% to £1,134,989 (2020: £912,297) with interest payable of £222,692 (2020: £164,909) being recognised in the Statement of Comprehensive Income.

The preference shares confer upon the holder the right to vote in matters affecting the rights of the preference shares and the right to first preference in any dividend paid by the company. On winding up, preference shares have no right to any share of profits or to the distribution of surplus assets.

The holders of the preference shares in issue are entitled to redeem the preference shares and interest accrued at 8% on 12 May 2021 if the company had not achieved a successful exit event by that date, subject to approval of the Board and the Company having sufficient distributable reserves to enable the shares to be redeemed. On 12 May 2021 the subscribers served notice to redeem the shares in full within six months of this notice as per the Articles of Association.

The Companies Act 2006 requires that a company may only redeem shares with profits available for distribution. The Company currently has insufficient distributable reserves to redeem these shares in full or part. The Directors consider that the Company will not be in a position to redeem these shares within one year of the accounting reference date and therefore it is appropriate for the preference shares to continue to be treated as a non-current liability until such time that the redemption terms can be satisfied.

Interest will accrue on the amount that would otherwise been payable if the redemption had been approved by the board at a rate of 8% per annum until the date of repayment.

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

10. Share based payments

| | 28 February Weighted average exercise price (pence) 2021 | 28 February Number 2021 | 29 February Weighted average exercise price (pence) 2020 | 29 February Number 2020 |
|---|--|-------------------------------|--|-------------------------------|
| Outstanding at the beginning of the year | 0.10 | 1,017,528 | 0.10 | 781,441 |
| Granted during the year | 0.10 | 515,490 | 0.10 | 501,201 |
| Forfeited during the year | 0.10 | (27,405) | 0.10 | (265,114) |
| Outstanding at the end of the year | 0.10 | 1,505,613 | 0.10 | 1,017,528 |

Equity-settled share option plan

During 2019 the company established an HMRC approved share option scheme for the benefit of its employees and contractors. Under the scheme, share options are granted at the approved market value for shares in the company at the grant date. The share options vest 50% on the second anniversary of the grant, then a further 2% vest each month for a further two years thereafter. The options are forfeited if the employee leaves the company before they become entitled to exercise the share options.

11. Commitments under operating leases

At 28 February 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 28 February 2021 £ | <i>Unaudited</i> 29 February 2020 £ |
|-----------------------|--------------------------|--|
| Not later than 1 year | - | 69,540 |
| | <u>-</u> | <u>69,540</u> |

PQ SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

12. Related party transactions

The company has taken the advantage of the exemptions provided by Section 33 under FRS 102 'Relates Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaken which is party to the transaction is wholly owned by a member of that group.

On 12 May 2016, preference shares were issues to a shareholder with significant influence. Interest was incurred of £1,647,312 (2020: £1,328,509) on these preference shares and at the year end £8,356,449 (2020: £6,709,137) was outstanding, which is shown under creditors due after more than one year.

At 28 February 2021, directors were owed a total of £480,313 (2020: £445,645) by the company. £220,000 (2020: £220,000) of this amount is included in other creditors due in more than one year.

No interest was charged on the amounts owed to the directors during the year (2020: £nil).

During the year ended 28 February 2021 and 2020, the directors paid expenses on behalf of the company of £nil and received reimbursements of £nil.

13. Auditors' information

The auditors' report on the financial statements for the year ended 28 February 2021 was unqualified.

The audit report was signed on 30 June 2021 by Sarah Hallam FCCA (Senior statutory auditor) on behalf of Menzies LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.