

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
31 DECEMBER 2020**

Please find attached the below Announcement.

Attachment:

1. **Announcement**

**Non Regulated**

Publication Date: 05/05/2021

**THE REPUTATION EXCHANGE PLC**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

# THE REPUTATION EXCHANGE PLC

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## STRATEGIC REPORT – CHAIRMAN’S STATEMENT

On behalf of the Board, I am pleased to present the annual report and financial statements of the Reputation Exchange Plc for the period ended 31 December 2020.

During this period, we raised approximately £885,000 in cash and in kind from both private and institutional investors and advanced our plans to list the Company’s shares on a public market. On 17 February 2021, we completed the Admission of all of the Company’s shares to the Non-Regulated Market of the Cyprus Stock Exchange (“CSE”) Emerging Companies Market (“ECM”).

Both of these milestones have provided the platform to market and grow the business in accordance with our strategic growth plans.

The Reputation Exchange plc (“REPX”) designs and develops a variety of innovative fintech, social media and retail products that enable sports teams, entertainment celebrities, sports personalities, iconic cities and others to monetize their reputations and brands. By partnering with concentrated nodes of marketing influence, including social media stars, well-known cities and brands, REPX aims to utilize an established social media base for low upfront marketing costs. In this way, REPX endeavours to deliver fast, scalable growth under a high gross margin model.

Although the COVID-19 pandemic, which has prevailed throughout much of the period and slowed our growth plans, we are now well placed to benefit as economies emerge from lockdown restrictions and consumer expenditure returns to more normal levels.

### Business review

REPX’s business is based on the concept of social selling. ‘Social selling’ refers to revenue-sharing arrangements with entertainment celebrities, sports personalities and others who have pre-existing relationships with fans or followers on social media. The social selling model aims to open up and leverage each star’s social media base. Follower numbers can be very large - in some cases in the order of millions - so with even low follower-to-purchaser conversion rates, revenue potential for popular celebrities is high. The Directors of REPX aim to contract with established social media stars, whom the Directors expect will participate in a circa 50:50 revenue share of, initially, the sale of branded prepaid cards and other payment tools. The Directors also expect that REPX will earn revenues on a 50:50 basis from other personalised forms of interaction, between the celebrities and their fans in exchange for providing the platform, technology, security and payment methods where this interaction takes place. The kind of interaction offered is freely defined by the celebrity and is dependent on the celebrity who will share time and specific experiences with a specific fan, against a cash-based remuneration. The Directors expect that splitting revenue on this basis is likely to yield a ready-made, potentially fertile customer base coupled with business partners (i.e. the stars themselves) who are strongly motivated to promote REPX’s products to their loyal followers via social media.

Although the COVID-19 pandemic, which has prevailed throughout much of the period and slowed our growth plans, we are now well placed to benefit as economies emerge from lockdown restrictions and consumer expenditure returns to more normal levels.

As a result of these factors, the Company underperformed against our expectations and incurred substantial losses for the period.

On behalf of the Board, I would like to thank our shareholders for their continued support.

**Francesco De Leo, Executive Chairman**



**30 April 2021**

## STRATEGIC REPORT – NON-EXECUTIVE DIRECTOR’S STATEMENT

The 15 month period has seen the Company achieve some significant milestones despite challenging economic conditions and uncertainties brought on by the outbreak of the COVID-19 pandemic.

### Operational Review

The Company has continued the development of its activities to be in a position to deliver the first 50,000 cards to 4 of the larger Italian Football teams.

More international sport teams were signed during 2020 and Q1 of 2021 and those teams are expected to provide revenues during 2021.

The launching of the Repx cobranded prepaid card in May 2021 is also expected to generate revenues from mid-2021.

The Company also completed the acquisition of Next Wallet Ltd on 28 April 2021, a Maltese card issuer company and BSS-ONE srl, a software development company in Romania, to serve the Company’s technical needs in relation to the production and management of the cards.

To expand the production of its card issuing capabilities, the Company has signed productions agreements with two international issuers both for Mastercard and Visa cards. This should expand our capacity to fulfil international demand for Repx cards.

The Company has also entered into commercial sales agreements for its co-branded prepaid cards, with national distributor groups, so as to provide an active sales presence in countries where it is offering its payment products.

### Financial Review

The net loss for the period ended 31 December 2020 was £1,270,914 (eight month period ended 30 September 2019: £146,745 loss).

The increase in the loss compared with the comparative period is primarily due to increased operational losses as the Company developed its business plans and transaction costs associated with the Company’s admission to the Cyprus Stock Exchange. With revenues delayed due to the pandemic, losses were greater than expected.

As a result of the increased net loss, the loss per share was increased to 41.3 pence (period ended 30 September 2019: 19.9 pence loss).

The Company had cash of £25,000 at 31 December 2020 compared with £212,000 at 30 September 2019. As at 31 March 2021, the Company’s cash position stood at £362,000.

### Key Performance Indicators

The Directors track the following as the Company’s key performance indicators (‘KPIs’):

- Revenues

The Company did not generate any revenue in the period to 31 December 2020. However, with the launching of the Roma and Parma card in the second quarter of 2021, the Company is now starting to produce revenue from its main activity. Also, following the recent acquisition of the majority stake in Next Wallet, a small prepaid card issuer company in Malta, and BSS-ONE, a software development company based in Romania, Repx will add additional revenue streams from these acquisitions.

- Administrative expenses

Indirect expenditure on running the business, which reflects cost effectiveness and cost management and which is of key importance while the Company is developing its revenue streams.

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- Cash holdings

The Company's cash balance provides a measure of the Company's financial strength and self-sufficiency to support operations while revenue streams are still in development.

The Company's accounting systems track performance on a monthly basis in particular focusing on revenue generation, development and marketing expenditure and working capital needs.

### Principal Risks and Uncertainties

The Directors consider the principal risks and uncertainties facing the Company and a summary of the key measures taken to mitigate those risks are as follows:

#### *Financial risks*

The effective management of its financial exposures is central to preserving the Company's performance. The Company is exposed to financial market risks and may be impacted negatively by fluctuations in foreign exchange and interest rates, which may create volatility in the Company's results to the extent that they are not effectively hedged.

The Company's finance team receives outsourced support to ensure accurate financial reporting and tracking of business performance. Reporting on financial performance is provided on a regular basis to senior management and the Board.

#### *Operational risks*

The success of the Company's business strategy is dependent on growing the core business of B2B & B2C initiatives combined with co-branded products in partnership.

The Directors seek to manage these risks by leveraging the experience of the executive team and complementary skill sets of the non-executive directors to prudently identify, pursue and execute on growth opportunities.

#### *COVID-19*

The continued market uncertainty and the prolonged nature of the COVID-19 pandemic across the region poses a significant risk to REPX's business, which is at an early stage of its development. To address this risk, the Board monitors its strategic plans and how best to secure growth of the business in this evolving competitive and customer landscape, as well as seeking measures to control the cost base.

Since the outbreak of the pandemic in March 2020, we have followed WHO and government guidance to protect the safety of our workers, customers and partners. We implemented a work-from-home policy, putting in place a number of measures to enable effective remote working.

### Outlook

REPX is currently in the pre-revenue, development stages; it has not launched its product in any market. By mid-2021, REPX aims to be in a position to launch its Co-Branded Prepaid Cards, with football teams (Roma AC, Parma, Udinese and Palermo) and to make its PAYCARD service available in the United Kingdom, the European Union and the United States. In the second half of 2021, REPX aims to make PAYCARD available in South America and Asia.

REPX's immediate objective is twofold: (a) to complete the development of the BEFRIEND app and (b) to continue its recruitment of sports teams, celebrities, personalities, iconic cities and others to promote AYFAN cards, both with a view to launching the BEFRIEND app and the PAYFAN card in 4Q 2020.

### **Basil Petrides, Non-Executive Director**



30 April 2021

## THE REPUTATION EXCHANGE PLC

### DIRECTORS' REPORT

The Directors present their report on the Company, together with the audited consolidated financial statements of the Company, for the period ended 31 December 2020.

#### Directors' responsibilities statement in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report and Strategic report that complies with that law and those regulations.

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

#### Provision of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### Principal activities

REPX is a fintech company that is disrupting traditional banking by combining payment technology and the passion of billions of worldwide fans with Social Media. REPX is creating for Celebrities, Influencers, Sport Teams, Brands, Iconic Cities, the opportunity to monetize their fans base with unique co-branded prepaid cards, debit cards, and patented digital products catered to their loyal legions of followers and fans. Since the beginning, REPX's focus was to onboard the most renowned Celebrities, Influencers, Sport Teams, Brands, Fashion Houses and Iconic Cities. To date, REPX has developed a large and committed portfolio of Partners and Brands with several hundreds of millions of social media followers in the world. REPX is committed to continuously negotiate new partnership deals in order to grow its contracts pipeline and to innovate creating social engagement in the e-money market via its patented cards.

REPX's products are both in the development stage. In particular, the BEFRIEND app is in the testing phase, where it is being tested for errors and instability to mitigate the possibility of instability, crashes or data loss. The Directors aim to release a stable version of the BEFRIEND app to the public in late 2020. Prepaid cards are to be issued using a withe label app.

With regard to the PAYFAN card, substantially all of the technology behind the PAYFAN card is stable and REPX has applied for patent protection for technology that allows a 4-bar 'ringtone' music clip or short phrase to be played via the fan's mobile phone at every use of the card. A significant amount of REPX's activities concerning PAYFAN therefore concern REPX's recruitment of those with brands—celebrities, personalities,

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iconic cities and others—who are interested in promoting their own, branded PAYFAN cards. As the PAYFAN card is integrated with the BEFRIEND app (for example, a celebrity can use the BEFRIEND app to advertise the PAYFAN card and other products to his or her fanbase), REPX released the PAYFAN card simultaneously with the release of the BEFRIEND app in Q4 2020.

### Results and dividends

The results of the Company are set out in detail in the financial statements.

The Directors do not propose to recommend a dividend for the period ended 31 December 2020. Given the losses incurred to date, it is unlikely that the Board will recommend a dividend in the near-term.

### Business review and future developments

Details of the business activities and developments made during the period can be found in the Strategic Report.

### Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 15 to the financial statements.

### Capital structure and issue of shares

Details of the Company's share capital are set out in Note 17 to the financial statements. The Company has one class of ordinary share which carry no right to fixed income.

### Post balance sheet events

- The Company completed the acquisition of the remaining 65% of Next W Holding Limited.
- The Company acquired a 50.1% interest in BSS-ONE a Romanian software development operative company for €800,000.
- On 1 February 2021, the Company resolved to issue up to the aggregate amount of £3,000,000 of 7.5% Unsecured Loan Notes 2023 (the "Notes") and to issue them in one or more tranches, from time to time in the denomination of £100,000 each. On 14 April 2021, Alfredo Villa subscribed for €100,000 (approximately £90,000) of such Loan Notes.
- The Loan Note of €210,000 (£190,643) described in Note 16 was repaid in full on 22 March 2021.
- On 21 April 2021, the Board resolved to issue 160,728 new shares at a price of €10.76 per share in cash and in kind.

### Directors

The Directors of the Company who have served during the period and at the date of this report are:

| Director               | Role                                | Date of appointment |
|------------------------|-------------------------------------|---------------------|
| Prof. Francesco de Leo | Independent Executive Chairman      | 16/12/2019          |
| Alon Goldreich         | Independent Non-Executive Director  | 1/9/2019            |
| Thomas Brooks          | Independent Non-Executive Director  | 1/9/2019            |
| Basil Petrides         | Independent Non-Executive Director* | 15/9/2019           |
| Prof. Vincenzo Vespri  | Independent Non-Executive Director  | 1/9/2019            |



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Additionally, Alfredo Villa served as an Executive Director until his resignation on 2 December 2020. Alfredo Villa now serve as the Company's General manager.

The Board comprises one executive and four non-executive directors:

### *Francesco De Leo, Executive Chairman (57)*

Francesco De Leo is the Executive Chairman of Kaufmann & Partners (K&P), a financial advisory company with offices in Madrid, focused on telco, media and corporate finance. performance of financial markets. Francesco has been an active member of the United Nations Global Sustainability Index Institute, presented in Davos at the World Economic Forum, since 2012. Francesco De Leo has served as an Executive Director at IFIL (now, Exor) a holding company controlling FCA (Fiat-Chrysler Automobiles), Ferrari, Worms, Partner-Re, and Juventus F.C. Francesco has been Managing Director of Telecom Italia, has been on the Board of Directors of TIM. From June 2005 till January 2009, Francesco De Leo served as Director for Business Development and International Affairs at WIND. He was Director at Graviton (La Jolla, California) from 2000 throughout 2003, a leading company in the field of wireless sensory networks (M2M communication), backed by Qualcomm, Intel, Motorola. Francesco received a BA in Economics from Bocconi University in Milan, and a Ph.D. in Strategy and Organisation from UCLA.

### *Vincenzo Ricard Vespri, Non-Executive Director (60)*

Vincenzo Vespri is a Professor of Mathematics at the University of Florence. Vincenzo specialises in the application of mathematics to economics, finance and new technology, including blockchain. Vincenzo has recently been appointed by the Italian Ministry of University and Research, as its representative at the G7 scientific institution of the Carnegie Group.

### *Basil Petrides LL.B., Independent Non-Executive Director (56)*

Basil Petrides is a Banking and Finance professional and a Chartered Member of the UK's CISI (Chartered Institute for Securities and Investments). He has extensive experience in capital markets and also in business, having held various NED roles including with small European Bank IBM Banka. In addition, Basil has interests in Petrochemicals logistics & procurement in Russia CIS, which has partnerships with European & US global listed brands in the Oil Services Industry. After graduating from Ealing College School of Law (University of West London), Basil joined Laiki Popular Bank (HSBC Group) on their graduate recruitment scheme and was instrumental in setting up and running the UK Treasury Operations. He then moved to Commodities House & LME member Gerald Ltd, where he worked as a Sales Trader in Futures and Foreign Exchange. Broking and Trading roles followed at Archer Daniel Midland Investors Services (ADM a Fortune 500 company) and Goldenberg Heymeyer & Co. Between 2002 and 2004, Basil worked as Financial Director of Diamond Air International Ltd, an SME. Between 2004 and 2014, he was a Manager at Stockbroker Hartmann Capital Limited, an Institutional and Private Client Investment Advisor. From 2014 to 2018, he worked as a Broking Manager (Equities, Equity Derivatives and Foreign Exchange) at Beaufort Securities Limited, a corporate broker to over 70 AIM listed Companies. Basil has participated many in-house IPO listings as Broker and multiple Secondary Market Placings. Basil is active in financial markets commentary through leading media, including BBC TV & Radio, LGR Radio, Reuters News, USA Today and the Evening Standard. He is a Volunteer at London's Royal Free Hospital in Hampstead RFH Charity.

### *Thomas Eliot Brooks, Non-Executive Director (54)*

Tom Brooks, an alumnus of the University of Chicago, is known for his work as an international scientific and business communicator concentrating on early-stage technology companies and innovation management. Tom has been interim CEO of several technology, biotechnology and pharmaceutical companies. In the past few years, he has also been involved in encouraging Social Impact Investing as a force for positive change and peace, especially in developing economies under conflict. He is the former Managing Director of Biopolo Ticino, Director of Development and Communications at the Institute for Research in Biomedicine, and lecturer in the faculties of Visual Communication and Interaction Design at the applied sciences university SUPSI.

### *Alon Sigmund Samuel Goldreich, Non-Executive Director (52)*

Alon Goldreich, an experienced business consultant, is currently the Director at Goldreich Strategies (Strategic Business Development) in Lugano, Switzerland. Alon holds a BA Bachelor of Engineering Degree (Honours) from University of Birmingham, an Executive BA from the University of London and an International Wealth management program degree from the Swiss Banking School, Vezia.

## **Directors' Remuneration**

The remuneration of the Directors for the period ended 31 December 2020 was as follows:

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|                        | Period ended<br>31 December<br>2020<br>£ | Period ended<br>30 September<br>2019<br>£ |
|------------------------|--|---|
| Director               |  |   |
| Prof. Francesco de Leo | 11,168                                   | -   |
| Alon Goldreich         | 12,886                                   | -   |
| Thomas Brooks          | 12,886                                   | -   |
| Basil Petrides         | 13,000                                   | -   |
| Prof. Vincenzo Vespri  | 12,886                                   | -   |
| Alfredo Villa          | -  | -   |
| <b>Totals</b>          | <b>62,826</b>                            | <b>-</b>                                  |

### Directors' interests in shares and contracts

Directors' interests in the shares of the Company at the date of this report are disclosed below. There are no requirements for Directors to hold shares in the Company.

| Director               | Ordinary Shares held | % held |
|------------------------|----------------------|--------|
| Prof. Francesco de Leo | -                    | -      |
| Alon Goldreich         | -                    | -      |
| Thomas Brooks          | -                    | -      |
| Basil Petrides         | -                    | -      |
| Prof. Vincenzo Vespri  | -                    | -      |

Mr Brooks also has an indirect interest in REPX via his 0.41% interest in REPX's corporate parent, Right of Reply plc. The figures presented in this row represent his direct interests in REPX only.

### Substantial shareholders

The following have an interest in more than 3% of the Company's issued ordinary shares:

| Name                     | Ordinary Shares held | % held |
|--------------------------|----------------------|--------|
| Alfred Villa (1,2)       | 145,000              | 4.64   |
| Right of Reply plc (2,3) | 2,246,000            | 71.95  |
| Associazione ATD (3)     | 290,000              | 9.29   |

1) Mr Villa also has an indirect interest in REPX via Mrs Villa's interest in Right of Reply plc (as to which see Note 2, below).

(2) Mr Villa and his spouse own, in the aggregate, 22.69% of ROR's share capital.

(3) Associazione ATD also has an indirect interest in REPX via its 35.16% interest in Right of Reply plc.

Alfredo Villa is the president of Associazione ATD.

Except as referred to above, the Directors are not aware of any person who was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

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### Donations

A total of £39,781 of charitable donations were made in the period (period ended 30 September 2019: £4,925).

### Provision of information to auditors

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

- so far as that Director is aware, there is no information relevant to the audit of which the Company's auditors are unaware, and;
- each Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

### Independent auditors

A resolution for the re-appointment of Ashings Limited as auditor is to be proposed at the next AGM.

### Compliance with Section 172 of the Companies Act

A Director of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006, summarised as follows:

#### The likely consequences of any decisions in the long-term

The Board has set a number of key strategic priorities for the year to 31 December 2021, as detailed earlier in this report. These priorities reflect the objectives of making the Company profitable as well as considering the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are delegated to individuals within the business through the Performance and Development Review process.

#### Business relationships with customers, suppliers and others

Our customers, suppliers and business partners are key to the long - term success of our business. We seek to maintain and grow our relationships with all parties through regular dialogue as a means of enhancing our reputation and to help us achieve our growth ambitions. They are key business partners and we set out our relationship in terms of business or service level agreements. We maintain oversight of these arrangements as well as making sure our customers receive appropriate levels of feedback.

We invest heavily in research and development because our partners demand it, our corporate clients benefit from it and it makes a positive impact on the user experience. Consumer behaviour is changing rapidly, and our technology must anticipate these changes. In this way, we are able to develop our technology with our customers' expectations in mind.

#### The impact of the Company's operations on the community and environment

REPX is a responsible member of its community as it reflects our culture and matters to our staff and local community. We strive to support staff in both individual and group community activities.

#### The desirability of the Company maintaining a reputation for high standards of business conduct

We have an on-going dialogue with shareholders through formal communication of financial results on a yearly and half yearly basis, we also provide periodic market updates and the required press releases to ensure compliance with the listing rules. We engage with substantial shareholders to ensure that the strategic direction of the business is aligned with the Company's objectives.

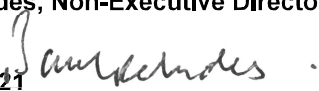
#### Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held on 7 June 2021.

Signed by order of the Board

**Basil Petrides, Non-Executive Director**

30 April 2021



## THE REPUTATION EXCHANGE PLC

### AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE REPUTATION EXCHANGE PLC

To the Shareholders of The Reputation Exchange Plc

#### Unqualified Opinion

We have audited the financial statements of The Reputation Exchange PLC (the "Company") for the 15 months ended 31 December 2020, which comprise:

- the statement of Comprehensive income for the 15 months ended 31 December 2020
- the company statements of financial position as at 31 December 2020
- the company statement of changes in equity for the 15 months ended 31 December 2020 and
- the notes to the financial statement, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation of the Company financial statements is applicable law & International Financial Reporting Standard (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair of the state of the company's affairs as at 31 December 2020 and the company's loss for the 15 months then ended;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standard as adopted by European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for Opinion

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

#### Material uncertainty relating to going concern

We draw attention to note 3.2 to the financial statements, which indicates that the company will require additional funds and/or funding in order to fully develop its business plan. The financial statements have been prepared on the going concern basis, which depends on the company raising additional funding. These conditions, along with the other matters explained in note 23 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company and the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

#### Overview of our audit approach

##### *Materiality*

In planning & performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both our testing and to evaluate the impact of misstatement identified.

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Based on our professional judgement, we determined overall materiality for the company financial statement as a whole to be £48,100, based on 5% of the loss for the year.

We use a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the financial statement. Performance materiality is set based on the audit materiality as adjusted for the judgments made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality maybe reduced to lower level, such as, for related party transactions and director's remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £2,100. Errors below that threshold would also be reported to it if, in opinion disclosure was required on qualitative grounds.

### Overview of the scope of our audit

We performed a full scope audit on the company.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statement of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, & in forming our opinion thereon, & we do not provide a separate opinion on these matters.

In addition to the matter described in the "Materiality uncertainty related to going concern", we have determine the following key audit matters. This is not a complete list of all risks identified by our audit.

| Key audit matter  | How the scope of our audit addressed the key audit matter   |
|---|---|
| <p>Carrying value of intangible assets</p> <p>The company's primary focus is on developing software to deploy cards and apps in partnership with celebrities, sports teams and similar.</p> <p>We have considered the risk that development assets are incorrectly capitalized or impaired.</p> | <p>We have agreed the costs capitalized to underlying supporting documentation considering whether it meets the criteria of IFRS 16.</p> <p>We have reviewed management's assessment which concluded that there are no facts or circumstances that suggest the carrying amount of the asset exceeds the recoverable amount.</p> <p>In considering this assessment we considered the following sources of evidence:</p> <ul style="list-style-type: none"><li>• Board minutes and budgets setting out the company's plans for the continued commercial appraisal of the exploration assets.</li><li>• Discussing plans and intentions with management.</li></ul> |
| Carrying value of prepaid costs   |   |

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|   |   |
|---|---|
| <p>The company has entered into a number of service agreements with suppliers who have agreed to defer services until after the COVID-19 crisis is over.</p> <p>We have considered the risk that such prepayments are not recoverable</p>   | <p>We have agreed the costs capitalized to underlying supporting documentation including payments where appropriate.</p> <p>We have reviewed management's assessment which concluded that there are no facts or circumstances that suggest the carrying amount of the asset exceeds the recoverable amount.</p> <p>In considering this assessment we considered the following sources of evidence:</p> <ul style="list-style-type: none"> <li>• Agreements with suppliers.</li> <li>• Discussing plans and intentions with management.</li> </ul>   |
| <p>Carrying value of investments and whether they form subsidiaries</p> <p>The company has a number of investments some of which were intended to become subsidiaries.</p> <p>We have considered the risk that the investments actually represent subsidiaries and the risk that the amounts are not recoverable.</p> | <p>We have agreed the costs capitalized to underlying supporting documentation including payments where appropriate.</p> <p>We have reviewed whether the company can and does exercise actual control of the investments and whether the amounts represent future value.</p> <p>In considering this assessment we considered the following sources of evidence:</p> <ul style="list-style-type: none"> <li>• Financial statements of the underlying investments.</li> <li>• Reviewing correspondence and agreements.</li> <li>• Discussing plans and intentions with management.</li> </ul> |

### Other Information

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

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

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

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

## THE REPUTATION EXCHANGE PLC

- the information given in the strategic report & the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the directors for the financial statements**

As explained more fully in the director's responsibilities statement set out in the Directors' Report on page 4, the directors are responsible for the preparation of the financial statement and for being satisfied that they give true and fair view, and for such internal control as the director's determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## THE REPUTATION EXCHANGE PLC

### Use of our report

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



**Darryl Ashing** (Senior Statutory Auditor)

For and on behalf of

Ashings Limited

Chartered Accountant & Statutory Auditors

Northside House

Mount Peasant

Cockfosters

Herts

EN4 9EB

**30 April 2021**



THE REPUTATION EXCHANGE PLC

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2020

|  |             | 15 months<br>ended<br>31<br>December<br>2020<br>£ | 8 months<br>ended 30<br>September<br>2019<br>£ |
|--|-------------|---|--|
| <b>Continuing operations</b>   | <b>Note</b> |   |  |
| Administrative expenses  | 5           | (1,280,117)                                       | (146,745)                                      |
| <b>Operating loss</b>  |             | <b>(1,280,117)</b>                                | <b>(146,745)</b>                               |
| Finance costs  | 16          | (946)   | -  |
| <b>Loss before tax</b>   |             | <b>(1,281,063)</b>                                | <b>(146,745)</b>                               |
| Taxation   | 6           | 12,221  | -  |
| <b>Loss after tax</b>  |             | <b><u>(1,268,842)</u></b>                         | <b><u>(146,745)</u></b>                        |
| <b>Loss per share – basic and diluted (pence)</b>  | 7           | <b><u>(41.2)</u></b>                              | <b><u>(19.8)</u></b>                           |
| <b>Total comprehensive loss attributable to equity holders of the Company for the period</b> |             | <b><u>(1,268,842)</u></b>                         | <b><u>(146,745)</u></b>                        |

There is no other comprehensive income for the period.

The accompanying notes form part of these financial statements.

**THE REPUTATION EXCHANGE PLC**  
**REGISTERED NUMBER: 09977505**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

|  |    | As at<br>31 December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|--|----|-----------------------------------|---------------------------------------|
| <b>Non-current assets</b>                    |    |                                   |                                       |
| Intangible assets                            | 9  | 494,243                           | 78,080                                |
| Investments                                  | 10 | 104,016                           | 40,004                                |
| Loan receivable                              | 11 | -                                 | 199,521                               |
|  |    | <hr/> 598,259                     | <hr/> 317,605                         |
| <b>Current assets</b>                        |    |                                   |                                       |
| Trade and other receivables                  | 12 | 681,162                           | 104,258                               |
| Cash at bank and in hand                     | 13 | 25,482                            | 212,048                               |
|  |    | <hr/> 706,644                     | <hr/> 316,306                         |
| <b>Current liabilities</b>                   |    |                                   |                                       |
| Trade and other payables                     | 14 | (869,222)                         | (5,004)                               |
| Borrowings                                   | 16 | (190,524)                         | -                                     |
|  |    | <hr/> (1,059,746)                 | <hr/> (5,004)                         |
| <b>Net current (liabilities) / assets</b>    |    | <hr/> (353,102)                   | <hr/> 311,302                         |
| <b>Total assets less current liabilities</b> |    | <hr/> 245,157                     | <hr/> 628,907                         |
| <b>Net assets</b>                            |    | <hr/> <u>245,157</u>              | <hr/> <u>628,907</u>                  |
| <b>Capital and reserves</b>                  |    |                                   |                                       |
| Called up share capital                      | 17 | 72,982                            | 70,571                                |
| Share premium account                        | 19 | 1,587,762                         | 705,081                               |
| Retained losses                              |    | (1,415,587)                       | (146,745)                             |
| <b>Total equity</b>                          |    | <hr/> <u>245,157</u>              | <hr/> <u>628,907</u>                  |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 April 2021.

**Basil Petrides** Director

The accompanying notes form part of these financial statements.



**THE REPUTATION EXCHANGE PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

|   | 15 months<br>ended<br>31<br>December<br>2020<br>£ | 8 months<br>ended 30<br>September<br>2019<br>£ |
|---|---|--|
| <b>Cash flows from operating activities</b>                   |   |  |
| Loss before taxation  | (1,281,063)                                       | (146,745)                                      |
| <b>Adjustments for:</b>                                       |   |  |
| Amortisation  | 4,364   | -  |
| Impairment of investments                                     | 187,994   | -  |
| Increase in trade and other receivables                       | (433,242)   | (45,488)                                       |
| Decrease / (increase) in amounts owed by parent undertaking   | -   | (58,670)                                       |
| Increase in amounts due to related parties                    | 60,665  | -  |
| Increase in trade and other creditors                         | 803,557   | 5,000  |
| Income taxes received   | 12,221  | -  |
| <b>Net cash used in operating activities</b>                  | <b>(645,504)</b>                                  | <b>(245,903)</b>                               |
| <b>Cash flows from investing activities</b>                   |   |  |
| Development of intangible fixed assets                        | (420,527)   | (78,080)                                       |
| Loans repaid / (advanced)                                     | 84,385  | (199,521)                                      |
| Purchase of investments                                       | (9,092)   | (40,004)                                       |
| <b>Net cash used in investing activities</b>                  | <b>(345,234)</b>                                  | <b>(317,605)</b>                               |
| <b>Cash flows from financing activities</b>                   |   |  |
| Issue of ordinary shares                                      | 513,672   | 952,904  |
| Share issue costs   | -   | (177,352)                                      |
| Proceeds from convertible notes                               | 290,504   | -  |
| <b>Net cash from financing activities</b>                     | <b>804,176</b>                                    | <b>775,552</b>                                 |
| <b>Net (decrease) / increase in cash and cash equivalents</b> | <b>(186,562)</b>                                  | <b>212,044</b>                                 |
| Cash and cash equivalents at beginning of the period          | 212,044   | -  |
| <b>Cash and cash equivalents at the end of period:</b>        |   |  |
| Cash at bank and in hand                                      | 25,482  | 212,048  |
| Bank overdrafts   | -   | (4)  |
|   | <b>25,482</b>                                     | <b>212,044</b>                                 |

# THE REPUTATION EXCHANGE PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

|  | Share<br>capital<br>£ | Share<br>premium<br>£ | Accumulated<br>losses<br>£ | Total<br>equity<br>£ |
|--|-----------------------|-----------------------|----------------------------|----------------------|
| As at 1 January 2019                       | 100                   | -                     | -                          | 100                  |
| Total comprehensive loss for<br>the period | -                     | -                     | (146,745)                  | (146,745)            |
| Issue of shares in the period              | 70,471                | 882,433               | -                          | 952,904              |
| Share issue costs                          | -                     | (177,352)             | -                          | (177,352)            |
| Transactions with shareholders             | 70,471                | 705,081               | -                          | 775,552              |
| <b>Balance at 30 September 2019</b>        | <b>70,571</b>         | <b>705,081</b>        | <b>(146,745)</b>           | <b>628,907</b>       |
| Total comprehensive loss for<br>the period | -                     | -                     | (1,268,842)                | (1,268,842)          |
| Issue of shares                            | 2,411                 | 882,681               | -                          | 885,092              |
| Transactions with<br>shareholders          | 2,411                 | 882,681               | -                          | 885,092              |
| <b>Balance at 31 December 2020</b>         | <b>72,982</b>         | <b>1,587,762</b>      | <b>(1,415,587)</b>         | <b>245,157</b>       |

The accompanying notes form an integral part of these financial statements.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

#### 1. General information

The Company was incorporated in England on 29 January 2016 under the name Aroca Import & Export Ltd with registered number 09977505 as a private company limited by shares under the Companies Act 2006.

By resolution dated 29 March 2019, the Company changed its name to The Reputation Exchange Ltd. On 15 November 2019, the Company re-registered as a public company limited by shares.

The Company is registered in England & Wales with its registered office situated at Suite 2A1, Northside House, Mount Pleasant, Cockfosters, Barnet EN4 9EB.

The Company's ordinary shares were admitted to the Non-Regulated Market of the Cyprus Stock Exchange ("CSE") Emerging Companies Market ("ECM") on 17 February 2021 with Stock Symbol REPX.

#### 2. Principal activities

The Reputation Exchange plc ("REPX") designs and develops a variety of innovative fintech, social media and retail products that enable entertainment celebrities, sports personalities, iconic cities and others to monetise their reputations and brands. By partnering with concentrated nodes of marketing influence, including social media stars, well-known cities, and brands, REPX aims to utilise an established social media base for low upfront marketing costs. In this way, REPX endeavours to deliver fast, scalable growth under a high gross margin model.

REPX's products are both in the development stage. In particular, the BEFRIEND app is in the testing phase, where it is being tested for errors and instability to mitigate the possibility of instability, crashes or data loss. The Directors expect to release a full operating product in May 2021.

#### 3. Accounting policies

##### 3.1 Basis of preparation of financial statements

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), issued by the International Accounting Standards Board ("IASB"), including interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and the Companies Act 2006 applicable to companies reporting under IFRS.

On 1 November 2019, the Company's accounting reference period was changed from 31 January to 30 September. The Company's accounting reference date was extended from 30 September to 31 December on 18 February 2021. The comparative figures for the Statement of Comprehensive Income and Statement of Cash Flows are for the eight-month period ended 30 September 2019 and consequently are not directly comparable.

##### New interpretations and revised standards effective for the period ended 31 December 2020

The Company has adopted the following new standards and interpretations in accordance with the relevant transitional provisions which became effective for periods beginning on or after 1 January 2019:

- IFRS 16 'Leases'.
- IFRIC 23 'Uncertainty over income tax treatments'.

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.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

The adoption of IFRS 16 has not had any impact on these financial statements.

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

IFRIC 23 has not had a material impact on these financial statements.

#### **Standards and interpretations in issue but not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The most significant of these are as follows:

#### Effective for periods beginning on or after 1 January 2020:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19-Related Rent Concessions
- Amendments to IAS 1 and IAS 8: Disclosure Initiative - Definition of Material

#### Effective for annual periods beginning on or after 1 January 2021:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IFRS 3: References to Conceptual Framework

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, will be reviewed for their impact on the financial statements prior to their initial application.

### **3.2 Going concern**

The Company incurred losses of £1,268,842 during the period. The losses were impacted by the COVID-19 pandemic which slowed the Company's growth plans. As at 31 December 2020, the Company had net current liabilities of £353,102 (30 September 2019 – net current assets of £311,302).

The financial statements have been prepared on a going concern basis. The directors have reviewed the Company's going concern position by taking into account its current business activities, budgeted performance and the factors likely to affect its future development.

#### *Covid-19*

The Company, in common with most trading entities, has been adversely affected by the coronavirus pandemic and the steps that the Italian and UK governments have taken to contain the disease. The board has taken steps to safeguard the Company's position including reducing costs and deferring contractual obligations wherever possible. The board is of the opinion that the steps undertaken will safeguard the future of the Company.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

The Company's forecast and projections which take into account the impact of Covid-19, show that it should be able to operate within the level of its current arrangements and level of financing. On this basis, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence in the near future, being at least 12 months from the date of the approval of these financial statements.

#### 3.3 Foreign currency translation

##### Functional and presentation currency

The Company's functional currency is the Euro. This differs from the presentational currency which is Pounds Sterling. The reason for the difference is that the Company's shareholders are predominantly UK based. Additionally, the Company intends to raise additional capital and to seek a listing on the London Stock Exchange.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

Net foreign exchange gains and losses are presented in the Statement of Comprehensive within administrative expenses or finance income as appropriate.

#### 3.4 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred.

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

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

Capitalised development expenditure in respect of such products is amortised on a straight-line method over a period of three to six years when the products or services are ready for sale or use.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

#### 3.5 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

#### 3.6 Intangible assets

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

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

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are as follows:

- Patents and trademarks 10 years
- Internally developed assets 3 years

#### 3.7 Impairment of financial assets

IFRS 9 "Financial Instruments" requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The credit event does not have to occur before credit losses are recognised. IFRS 9 "Financial Instruments" allows for a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

The Company has two types of financial asset subject to the expected credit loss model: cash and receivables.

The Company recognises a loss allowance for expected credit losses on receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses are estimated using a provision based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### 3.8 Impairment of non-financial assets

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of



## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

an asset's or cash-generating unit's fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the subject asset down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cash flows 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. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors utilise an appropriate valuation model.

When applicable, the Company recognises impairment losses of continuing operations in the "Statements of Profit or Loss and Other Comprehensive Income" in those expense categories consistent with the function of the impaired asset.

#### **3.9 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

All equity investments are measured at fair value in the statement of financial position, with value changes recognised in profit or loss. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

#### **3.10 Trade and other receivables**

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### **3.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

#### **3.12 Trade and other payables**

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **3.13 Financial instruments**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

##### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, and trade and other payables.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Income and Retained Earnings if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Trade payables, other borrowings and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Cash and cash equivalents comprise cash balances and call deposits.

#### *Compound instruments*

Compound financial instruments issued by the Company comprise convertible promissory notes that may be converted into ordinary shares of the Company by the note holder.

Any liability component of the compound financial instrument is recognised on the date of inception or modification at the fair value of a similar liability that does not have an equity conversion option.

An equity element is recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the equity and liability components in proportion to their initial carrying amounts. Subsequently, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method.

### **3.14 Financial assets**

#### *(i) Initial recognition and measurement*

The Company classifies its financial assets as financial assets carried at amortised cost. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and this designation at every reporting date.

#### *Financial assets carried at amortised cost*

Financial assets carried at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the reporting date which are classified as non-current assets. They include cash and bank balances, and a rental deposit.

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method, less impairment.

Impairment of financial assets is considered using a forward-looking expected credit loss (ECL) review.

#### *(ii) De-recognition*

Financial assets are de-recognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### **3.15 Financial liabilities**

The Company's financial liabilities include trade and other payables and accruals. Financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

All financial liabilities are recognised initially at their fair value, net of transaction costs, and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### 3.16 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Equity comprises the following:

- Share capital which represents the nominal value of equity shares issued.
- The share premium account which represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- Retained earnings which include all current and prior period results as disclosed in the statement of comprehensive income.

#### 3.17 Taxation

Income tax for each reporting period comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Certain expenditure on R&D activities can qualify for a R&D tax credit. The R&D tax credit is available for tax purposes in the year the expenditure is incurred and is either set off against current corporation tax, prior year corporation tax and if either of the previous two options is unavailable due to an insufficient corporation tax liability for these periods, the company may have the option to receive the R&D tax credit as a cash refund, where certain conditions are satisfied.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

#### 3.18 Sales commission payments

The Company makes payments in advance to a number of football and other sports teams which comprise minimum commission guarantees advanced which are recoverable from future commissions payable. The recoverability of such advances is predicated upon the successful roll-out of REPX's debit card programmes. Should there be any delays in the roll-out programme or if traction in terms of the subscriber rate is less than expected, the Company recognises an appropriate proportion of the advances as an expense within profit and loss.

#### 3.19 Finance expenses

Finance expenses comprise interest payable on convertible promissory notes and is recognised in profit or loss as it accrues, using the effective interest method.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

#### 3.20 Earnings per share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period.

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

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period 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. In particular:

##### Key judgments

As disclosed in Note 8, amortisation has not been charged on development costs as the development projects have not commenced generating revenues and are not yet being used in the business of the Company. Accordingly, no amortisation has yet been charged.

Impairment of investments:

Where future cashflows cannot be reliably forecast then investments are impaired so as to show the Company's share of the adjusted net assets of the investment.

##### Key estimates in prior and current periods

##### *Valuation of Intangible Assets*

The determination of the fair value of development expenditure, which is expected to generate future economic benefits, is based to a considerable extent on management's judgement.

The useful life used to amortise intangible assets relates to management's estimate of the period over which economic benefit will be derived from the asset.

The estimated useful life principally reflects management's view of the average economic life of each asset and is assessed by reference to historical data and future expectations. Any reduction in the estimated useful life would lead to an increase in the amortisation charge.

##### *Impairment reviews*

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

The Company prepares and approves a detailed annual budget and longer-term strategic plan for its operations, which are used in the fair value calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

### 5. Expenses by nature

|   | 15 months<br>ended 31<br>December<br>2020<br>£ | 8 months<br>ended 30<br>September<br>2019<br>£ |
|---|--|--|
| <b>Administrative expenses:</b>                               |  |  |
| Operations consulting   | 220,852  | 43,376   |
| Commercial consulting   | 127,161  | 13,466   |
| Financial consulting  | 45,922   | 41,015   |
| Sales commissions   | 192,643  | -  |
| Impairment expense  | 187,994  | -  |
| Corporate brokerage fees                                      | 91,776   | -  |
| Legal expenses  | 60,848   | 16,474   |
| Auditor's remuneration:                                       |  |  |
| - Audit of the financial statements                           | 6,210  | 4,500  |
| - Reporting accountants to admission to Cyprus Stock Exchange | 8,120  | -  |
| - Other   | 21,308   | -  |
| Directors' remuneration                                       | 62,826   | -  |
| Salaries  | 53,560   | -  |
| Amortisation of intangible assets                             | 4,364  | -  |
| Rent expenses   | 1,552  | -  |
| Charitable donations  | 39,782   | 4,925  |
| Travel expenses   | 30,884   | 20,870   |
| Net foreign exchange differences                              | 9,862  | (2,621)  |
| Other expenses  | 114,453  | 4,740  |
|   | <b><u>1,280,117</u></b>                        | <b><u>146,745</u></b>                          |

### 6. Taxation

The Company has made no provision for taxation as the Company has not yet generated any taxable income.

A total of £12,221 was received in respect of claims for R&D tax credits and is included in the Statement of Comprehensive Income as a Corporation Tax credit for the period.

The Company had losses for tax purposes of approximately £1,283,000 as at 31 December 2020 (30 September 2019: £142,000) which, subject to agreement with taxation authorities, are available to carry forward against future profits.

A deferred tax asset in respect of the Company's losses and temporary differences has not been established as the Directors have assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain.

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

A reconciliation of the income tax credit applicable to the loss before taxation at the statutory rate to the income tax credit at the effective rate of the Company is as follows:

|   | <b>15 months<br/>ended 31<br/>December<br/>2020<br/>£</b> | <b>8 months<br/>ended 30<br/>September<br/>2019<br/>£</b> |
|---|---|---|
| Loss before taxation                              | <b>(1,281,063)</b>  | (146,745)   |
| Tax calculated at the standard rate of tax of 19% | <b>(243,402)</b>  | (27,882)  |
| Tax effects of:                                   |   |   |
| Non-deductible expenditure                        | <b>25</b>   | 936   |
| Unrecognised tax losses                           | <b>243,377</b>  | 26,946  |
| R&D tax credits                                   | <b>(12,221)</b>   | -   |
| Tax credit for the period                         | <b><u>(12,221)</u></b>                                    | <b><u>-</u></b>   |

### 7. Loss per share

The Company presents basic loss per share information for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the reporting period.

There is no difference between the basic and diluted earnings per share, as the Company has no potential ordinary shares.

|  | <b>15 months<br/>ended 31<br/>December<br/>2020<br/>£</b> | <b>8 months<br/>ended 30<br/>September<br/>2019<br/>£</b> |
|--|---|---|
| Loss attributable to ordinary shareholders           | <b>(1,268,842)</b>  | (146,745)   |
| Weighted average number of shares in issue           | <b>3,078,654</b>  | 741,856   |
| Loss per share – basis and diluted (pence per share) | <b>(41.3)</b>   | (19.8)  |

### 8. Staff costs and key management emoluments

|                     | <b>15 months<br/>ended<br/>31<br/>December<br/>2020<br/>No.</b> | <b>8<br/>months<br/>ended<br/>30<br/>September<br/>2019<br/>No.</b> |
|---------------------|---|---|
| Directors and staff | <b><u>6</u></b>   | <b><u>4</u></b>   |

The directors received a total of £62,826 in remuneration during the period under review (period ended 30 September 2019: £nil). There were no employees during the period (period ended 30 September 2019: nil employees).

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

Key management personnel are considered to be the directors and one senior member of staff. Their remuneration was as follows:

|                                 | 15 months ended<br>31 December<br>2020<br>£ | 8 months<br>ended 30<br>September<br>2019<br>£ |
|---------------------------------|---|--|
| <b>Key management personal:</b> |   |  |
| Wages and salaries              | 112,352                                     | -  |
| Social security costs           | -   | -  |
| Other                           | -   | -  |
|                                 | <u>112,352</u>                              | <u>-</u>                                       |

### 9. Intangible assets

|   | Patents<br>£         | Development<br>expenditure<br>£ | Total<br>£            |
|---|----------------------|---------------------------------|-----------------------|
| <b>Cost</b>                                 |                      |                                 |                       |
| As at 1 February 2019                       | -                    | -                               | -                     |
| Additions                                   | 4,434                | 73,646                          | 78,080                |
| At 30 September 2019                        | <u>4,434</u>         | <u>73,646</u>                   | <u>78,080</u>         |
| Additions                                   | <b>30,476</b>        | <b>390,051</b>                  | <b>420,527</b>        |
| At 31 December 2020                         | <u><b>34,910</b></u> | <u><b>463,697</b></u>           | <u><b>498,607</b></u> |
| <b>Amortisation</b>                         |                      |                                 |                       |
| As at 1 February 2019 and 30 September 2019 | -                    | -                               | -                     |
| Charge for the period                       | <b>4,364</b>         | -                               | <b>4,364</b>          |
| At 31 December 2020                         | <u><b>4,364</b></u>  | <u>-</u>                        | <u><b>4,364</b></u>   |
| <b>Net book value</b>                       |                      |                                 |                       |
| At 31 December 2020                         | <u><b>30,546</b></u> | <u><b>463,697</b></u>           | <u><b>494,243</b></u> |
| At 30 September 2019                        | <u>4,434</u>         | <u>73,646</u>                   | <u>78,080</u>         |

Amortisation has not been charged on development costs incurred to date as the development projects have not commenced generating revenue and are not yet being used in the business of the Company.

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

### 10. Investments

|                          | Investments<br>in subsidiary<br>companies<br>£ | Unlisted<br>investments<br>£ | Total<br>£     |
|--------------------------|--|------------------------------|----------------|
| <b>Cost or valuation</b> |  |                              |                |
| As at 1 February 2019    | -  | -                            | -              |
| Additions                | 100  | 39,904                       | 40,004         |
| As at 30 September 2019  | <u>100</u>                                     | <u>39,904</u>                | <u>40,004</u>  |
| Additions                | -  | 252,006                      | 252,006        |
| Impairment provision     | -  | (187,994)                    | (187,994)      |
| As at 31 December 2020   | <u>100</u>                                     | <u>103,916</u>               | <u>104,016</u> |

### Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

| Name                       | Registered office                                 | Class of<br>shares | Holding |
|----------------------------|---|--------------------|---------|
| Passion Securities Limited | 3rd Floor, 120 Baker<br>Street, London<br>W1U 6TU | Ordinary           | 100 %   |

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the period ended on that date for the subsidiary undertaking were as follows:

| Name                       | Aggregate<br>of share<br>capital and<br>reserves | Profit/<br>(Loss) |
|----------------------------|--|-------------------|
| Passion Securities Limited | 100  | -                 |

The subsidiary was dormant through the period. Accordingly, the Company has not consolidated the subsidiary's results for the period. In the Directors' opinion, its inclusion is not material for the purposes of giving a true and fair view.

### Unlisted investments

The Company's unlisted investments comprise:

- A 35% shareholding in Next W Holding Limited at cost of £31,037 and loan advances of £79,890. Next W Holding Ltd owns an operating subsidiary, Next Wallet Ltd. Next W Holding Ltd and Next Wallet Ltd (together, "Next Wallet") were incorporated in Malta on 4 June 2015 with registration numbers C 70939 and C 70941, respectively, and whose registered office is located at Ground Floor, Palace Court, Church Street, St. Julians STJ 3049, Malta. Next Wallet offers prepaid, Mastercard-enabled bank cards. The Company agreed to acquire the remaining 65% of the issued share capital in Next W Holding Ltd in July 2020. However, as a result of the impact of the Covid-19 pandemic, the acquisition did not complete until 2021. Accordingly, the Directors consider that the Company did not have control or significant influence over the financial and operating policy decisions of the investee and accordingly, the Company has not



## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

consolidated, or equity accounted the results of Next W Holding Ltd. An impairment provision of £99,317 has been recognised in the period ended 31 December 2020. Where future cashflows cannot be reliably forecast then investments are impaired so as to show the Company's share of the adjusted net assets of the investment.

- b) A 3.33% shareholding in Vanquish Global Investments S.L.U. ("Vanquish"), a limited company created under the laws of Spain, with registered company number B87530762, at cost of 83,340. The Company acquired its interest on 14 October 2019 by way of the issue of 8,344 Ordinary Shares at a consideration of £10 per share. On 17 December 2019, REPX engaged Vanquish Global Investments sl to generate business leads for REPX and to assist with REPX with marketing under ordinary commercial terms. REPX's Chief Marketing Officer, Luca Casassa, is the Managing Partner of and a shareholder in Vanquish. The Company also has an option to increase its shareholding to 20% for a total of €500,000.
- c) Loans of €100,000 (£88,676) to Digital Development SRL, a company incorporated in Moldova on 25 March 2014 with registration number 1014600010278, whose registered office is located at str. Tighina, 49/3, of 34 MD-2001, Chişinău, Moldova. The company provides software development and IT services. An impairment provision of £88,676 has been recognised in the period ended 31 December 2020. The Company has been unable to obtain any financial information from Digital Development SRL or its parent BSS-One SRL and so has impaired its entire investment.
- d) A 0.3% holding in in a trading investment at a cost of £8,867.

#### 11. Loan receivable

|                 | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|-----------------|--------------------------------------|---------------------------------------|
| Loan receivable | -                                    | 199,521                               |
|                 | <u>-</u>                             | <u>199,521</u>                        |

The loan comprises an advance made to Digital Development SRL, a company incorporated in Moldova, and is unsecured, non-interest bearing with an indefinite maturity date. Digital Development SRL provides software development and IT services. During the period, the loan advances have been transferred to investments.

#### 12. Trade and other receivables

|                                    | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|------------------------------------|--------------------------------------|---------------------------------------|
| Amounts owed by parent undertaking | 58,670                               | 58,670                                |
| VAT recoverable                    | 22,134                               | 1,250                                 |
| Prepayments                        | 192,278                              | -                                     |
| Commissions paid in advance        | 408,080                              | -                                     |
| Other debtors                      | -                                    | 44,338                                |
|                                    | <u>681,162</u>                       | <u>104,258</u>                        |

The amounts due from the parent undertaking, Right of Reply PLC, are unsecured, interest-free and

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

repayable on demand.

Prepayments at 31 December 2020 include £175,952 (30 September 2019: £nil) in respect of shares issued for non-cash consideration (marketing and promotional services which are to be rendered to the Company).

### 13. Cash and cash equivalents

|                          | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|--------------------------|--------------------------------------|---------------------------------------|
| Cash at bank and in hand | 25,482                               | 212,048                               |
| Less: bank overdrafts    | -                                    | (4)                                   |
|                          | <u>25,482</u>                        | <u>212,044</u>                        |

### 14. Current liabilities

|                                | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|--------------------------------|--------------------------------------|---------------------------------------|
| Trade payables                 | 704,253                              | -                                     |
| Bank overdrafts                | -                                    | 4                                     |
| Accruals and deferred income   | 57,969                               | 5,000                                 |
| Amounts due to related parties | 107,000                              | -                                     |
|                                | <u>869,222</u>                       | <u>5,004</u>                          |

The amounts due to related parties are unsecured, interest-free and repayable on demand.

# THE REPUTATION EXCHANGE PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

### 15. Financial instruments and risk management

#### (a) Categories of financial instruments

The carrying amounts and fair value of the Company's financial assets and liabilities as at the end of the reporting period are as follows:

|  | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|--|--------------------------------------|---------------------------------------|
| <b>Financial assets:</b>                                       |                                      |                                       |
| Investments  | 104,016                              | 40,004                                |
| Loan receivable  | -                                    | 199,521                               |
| Cash and cash equivalents                                      | 25,482                               | 212,048                               |
| Trade and other receivables                                    | 22,134                               | 104,258                               |
|  | <u>151,632</u>                       | <u>555,831</u>                        |
| Financial assets measured at fair value through profit or loss | <u>151,632</u>                       | <u>555,831</u>                        |

|  | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|--|--------------------------------------|---------------------------------------|
| <b>Financial liabilities at amortised costs:</b> |                                      |                                       |
| Trade payables                                   | 704,253                              | -                                     |
| Bank overdrafts                                  | -                                    | 4                                     |
| Borrowings – convertible promissory notes        | 190,515                              | -                                     |
| Accruals and deferred income                     | 57,969                               | 5,000                                 |
| Amounts due to related parties                   | 107,000                              | -                                     |
|  | <u>1,059,737</u>                     | <u>5,004</u>                          |

The financial assets and financial liabilities maturing within the next 12 months approximate their fair values due to the relatively short-term maturity of the financial instruments.

#### b) Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

##### i) Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's financing activities (when financial liabilities and cash are denominated other than in its functional currency).

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

Most of the Company's transactions are carried out in Euros so the Company's results are exposed to foreign exchange rate risk between the Euro and Sterling. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Company maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies. The Company's net exposure to foreign exchange risk was as follows:

|  | <b>As at 31<br/>December<br/>2020<br/>£</b> | <i>As at 30<br/>September<br/>2019<br/>£</i> |
|--|---|--|
| Financial assets denominated in £      | <b>22,584</b>                               | 59,916                                       |
| Financial liabilities denominated in £ | <b>(198,913)</b>                            | (5,000)                                      |
|  | <b><u>(176,329)</u></b>                     | <u>54,916</u>                                |

#### *Foreign currency sensitivity analysis:*

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant.

The impact on the Company's loss before tax is due to changes in the fair value of monetary assets and liabilities.

A 10 per cent. movement in the Pound against the Euro would increase/(decrease) net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

|                       | <b>As at 31<br/>December<br/>2020<br/>£</b> | <i>As at 30<br/>September<br/>2019<br/>£</i> |
|-----------------------|---|--|
| Effect on net assets: |   |  |
| Strengthened by 10%   | <b>17,633</b>                               | (5,491)                                      |
| Weakened by 10%       | <b>(17,633)</b>                             | 5,591  |

#### ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit allowances are made for estimated losses that have been incurred by the reporting date. No such amounts have been made to date.

Concentrations of credit risk exist to the extent that the Company's cash balances were all held with two banks, namely The Crédit Industriel et Commercial Bank in Switzerland and HSBC in the United Kingdom.

#### iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial liabilities are primarily trade payables and convertible promissory notes. The trade payables are unsecured, interest-free and repayable on demand.

#### 16. Borrowings

|                              | As at<br>31<br>December<br>2020<br>£ | As at<br>30<br>September<br>2019<br>£ |
|------------------------------|--------------------------------------|---------------------------------------|
| Convertible promissory notes | 190,524                              | -                                     |
|                              | <b>190,524</b>                       | <b>-</b>                              |

During the period ended 31 December 2020, the Company entered into agreements with four investing parties for the issue of convertible promissory notes for principal amounts totalling €320,000 (equivalent to £290,504) for the purposes of providing working capital to the Company as follows:

On 29 September 2020, the Company issued a convertible note for the sum of €210,000 (equivalent to £190,524) on the following terms:

- The Convertible Note is to be repaid together with interest at the rate of 1% per annum on 30 January 2021.
- The amount of the repayment may, at the option of the Note Holder, be converted at expiration date into Ordinary Shares of the Company at an issue price of 10 per cent. below the 30-Day average mid-price of the Ordinary Shares (the "Conversion Price").
- The Convertible Note will be senior to all other liabilities of the Company.
- In the case of non-performance by the Company, two individuals agreed to jointly guarantee repayment of the Note.

The Loan Note was repaid in full on 22 March 2021.

In September 2020, the Company issued three convertible notes for an aggregate sum of €110,000 (equivalent to £99,980) on the following terms:

- The Convertible Note is to be repaid together with interest at the rate of 7% per annum on 31 March 2021.
- The Note Holder has the option to exercise a right to convert the amount of the Note into Ordinary Shares of the Company at a fixed price of €9 per share on or before 31 October 2020, in which case interest is to be calculated for the period up to 31 October 2020.
- The amount otherwise due on repayment can, at the option of the Note Holder, be converted at the expiration date into Ordinary Shares of the Company at an issue price of 10 per cent. below the 30-Day average mid-price of the Ordinary Shares (the "Conversion Price").
- The Convertible Note will be senior to all other liabilities of the Company.

Each Noteholder exercised their options in October 2020 into a total of 12,221 ordinary shares of the Company.

In the period ended 31 December 2020, the interest expense recognised in profit and loss in respect of the convertible promissory notes totalled £946.

**THE REPUTATION EXCHANGE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**

**17. Share capital**

|  | <b>As at<br/>31<br/>December<br/>2020<br/>£</b> | <i>As at<br/>30<br/>September<br/>2019<br/>£</i> |
|--|---|--|
| <b>Allotted, called up and fully paid</b>                                |   |  |
| 3,121,692 (30 September 2019: 3,016,000) Ordinary shares of €0.0261 each | <b>72,982</b>                                   | <i>70,571</i>                                    |
|  | <b><u>72,982</u></b>                            | <i><u>70,571</u></i>                             |

The changes to the issued share capital of the Company during the period ended 31 December 2020 were as follows:

- a) On 2 March 2020, the Company issued a total 19,205 Ordinary Shares for a total cash consideration of £411,579).
- b) On the same date, the Company issued 43,000 shares for a total of £88,000 in future services to be rendered.
- c) On 5 March 2020, the Company issued a total of 12,922 Ordinary Shares for a total cash consideration of £130,334).
- d) On 31 March 2020, the Company issued a total of 8,344 Ordinary Shares for a non-cash consideration of £83,440 at £10 per share in exchange for a 3.33% shareholding in Vanquish (see Note 10 above) and 10,000 Ordinary Shares for a total of £100,000 in future services to be rendered.
- e) On 31 October 2020, Loan Noteholders converted Loan Notes totalling £99,980 into 12,221 Ordinary Shares of the Company.

The Company does not have an authorised share capital.

Under the terms of their service agreements, three directors are each entitled to receive 4,208 shares each within 3 months of admission at a value of €50,000 per director. The total number of shares to be issued is 12,624. These have not yet been issued.

**18. Note to statement of cash flows**

**Reconciliation of key balances:**

|  | <b>Opening<br/>balances<br/>£</b> | <b>Transfers<br/>£</b> | <b>Issue<br/>of<br/>shares<br/>(non-<br/>cash)<br/>£</b> | <b>Cash<br/>movements<br/>£</b> | <b>Impairment<br/>provisions<br/>£</b> | <b>Closing<br/>balances<br/>£</b> |
|--|-----------------------------------|------------------------|--|---------------------------------|--|-----------------------------------|
| <b>Period ended 31<br/>December 2020</b> |                                   |                        |  |                                 |  |                                   |
| Investments                              | 40,004                            | 242,914                | -  | 9,092                           | (187,994)                              | 104,016                           |
| Loans receivable                         | 199,521                           | (115,136)              | -  | (84,385)                        | -                                      | -                                 |
| Trade and other<br>receivables           | 104,258                           | (127,778)              | 271,440  | 433,242                         | -                                      | 681,162                           |

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

#### *Non-cash transactions*

As described in Note 17, the Company issued a total of 29,344 Ordinary Shares for a non-cash consideration of £271,440. As at 31 December 2020, £188,000 is included in prepayments and £83,440 is reflected in investments.

#### **19. Segment analysis**

##### *Operating segments*

The Board of Directors consider that the Company has one operating segment, being that of the development of innovative fintech, social media and retail products. Accordingly, all operating results, assets and liabilities are allocated to this activity.

##### **Geographical segments**

The Company has operated in one principal geographical area – Italy.

#### **20. Reserves**

##### *Share premium account*

The share premium account comprises amounts contributed by shareholders for the issue of shares in excess of nominal value.

#### **21. Related party transactions**

- a) On 17 December 2019, the Company engaged Vanquish Global Investments sl to generate business leads and to assist the company with marketing under ordinary commercial terms. The Company's Chief Marketing Officer, Luca Casassa, is the Managing Partner of and a shareholder in Vanquish. The Company paid a total of £21,290 of fees under this arrangement in the period ended 31 December 2020.
- b) In January 2020, the Company agreed to issue 4,208 shares to each of three directors at a value of €50,000 per director, the total number of shares to be issued is 12,624. These have not yet been issued.
- c) As at 31 December 2020, Directors' fees and loans totalling £107,000 were outstanding and included within current liabilities.
- d) On 1 February 2021, the Company resolved to issue up to the aggregate amount of £3,000,000 of 7.5% Unsecured Loan Notes 2023 (the "Notes") and to issue them in one or more tranches, from time to time in the denomination of £100,000 each. On 14 April 2021, Alfredo Villa subscribed for €100,000 (approximately £90,000) of such Loan Notes.

#### **22. Commitments**

On 1 October 2020, the Company entered into a Share Purchase Agreement to acquire a 51% interest in the issued share capital in BSS-ONE, a Romanian Corporation, headquartered in Iasi, Str. Bulgaria, from Right of Reply Plc for total price of €800,000. The purchase price must be entirely paid before 31 December 2021.

#### **23. Material subsequent events**

- a) The Company completed the acquisition of the remaining 65% of Next W Holding Limited.
- b) The Company acquired a 50.1% interest in BSS-ONE a Romanian software development operative company for €800,000.

## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

- c) On 1 February 2021, the Company resolved to issue up to the aggregate amount of £3,000,000 of 7.5% Unsecured Loan Notes 2023 (the "Notes") and to issue them in one or more tranches, from time to time in the denomination of £100,000 each. On 14 April 2021, Alfredo Villa subscribed for €100,000 of such Loan Notes.
- d) On 19 February 2021, the Company announced the formal listing of its shares on the Cyprus Stock Exchange (CSE) Emerging Companies Market.
- e) The Convertible Loan Note of €210,000 (£190,643) described in Note 16 above was repaid in full on 22 March 2021.
- f) On 21 April 2021, the Board resolved to issue 160,728 new shares at a price of €10.76 per share in cash and in kind.

#### **24. Ultimate controlling party**

The directors regard Right of Reply PLC as being its immediate and ultimate parent undertaking.

The directors regard Alfredo Villa as being the ultimate controlling party.



## THE REPUTATION EXCHANGE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

#### COMPANY INFORMATION

##### Directors

Prof. Francesco de Leo, Independent Non-Executive Chairman  
Alon Goldreich, Independent Non-Executive Director  
Thomas Brooks, Independent Non-Executive Director  
Basis Petrides, Independent Non-Executive Director  
Prof. Vincenzo Vespri, Independent Non-Executive Director

##### Company Secretary

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##### Legal Advisers to the Company as to English Law

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##### Legal Advisers to the Company as to Italian Law

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##### Auditors

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##### Corporate advisor

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##### Registrars

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