

Company Registration No. 09829720 (England and Wales)

PAPILLON HOLDINGS PLC

**REVISED DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2018**

PAPILLON HOLDINGS PLC COMPANY INFORMATION

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

PAPILLON HOLDINGS PLC

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**PAPILLON HOLDINGS PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Revised accounts under Section 414 of Companies Act 2006

- (i) The revised accounts replace the original annual accounts for the financial year ended 31 December 2018,
- (ii) they are now the statutory accounts of the company for that financial year,
- (iii) they have been prepared as at the date of the original annual accounts and not as at the date of revision and accordingly do not deal with events between those dates,
- (iv) the original annual accounts did not comply with the requirements of the 2006 Act as they failed to reflect two transactions with a director,
- (v) which has resulted in an amount due to James Longley of £90,000, a contingent liability to James Longley and an impairment against an amount recoverable on a claim as detailed in Note 20 to the financial statements.

**James Longley
Director**

3 July 2019

Chairman's Report

Papillon Holdings PLC ("the Company") is an investment company with the primary objective of undertaking a single acquisition of a target company, business or asset in the industrial or service sectors.

In our interim report published in December 2018 we reported that, on 18 May 2018, we had reached agreement via a non-binding head of terms to make an investment in 50% of the issued share capital of a fintech company focussed on the used car market, Pace Cloud Limited, trading as CarCloud®. The Trade Mark has now been successfully registered.

Car Cloud has developed innovative technology that bridges the gap between private and retail vehicle sales and delivers consistently high values for the user. It has an aggressive growth strategy, utilising its unique technology to expand its offering to an, as yet, underexploited area of the private car sale market; currently +200,000 private cars are sold and brought every month in the UK. The app has been launched and can be searched and downloaded under the name, "CarCloud". The service had not yet been launched nationally as yet but the initial metrics are proving to be very promising.

The transaction is progressing well, and we have executed a Share Purchase Agreement to acquire a 50% interest in Pace Cloud Limited. Additionally, Papillon is raising up to £800k via the issue of convertible loan notes ('Loan Notes'), which will be drawn down as required by the Company and to date, £200k has been received. The Loan Notes carry an interest coupon of 10 per cent pa over their minimum term of 12 months, with a conversion price of 1.25 pence per new Papillon ordinary share. A further £300,000 is due from the Company's Brokers on around 10 May 2019.

The proceeds from the issue of the Loan Notes will be used, in conjunction with existing resources,

to continue to finance the costs of developing the CarCloud App and business together with the expenses of Papillon Holdings PLC. The directors believe that the investment in Car Cloud has enormous potential in a very large market and that the proposed investment should add significant shareholder value and the directors continue to investigate routes to enhancing the offering, the valuation and the route to market of CarCloud. The investment proposes to break new ground in the market in which it operates, and the business model is a complete new solution in the way that individuals own and protect their vehicles, it is a complete ownership solution from purchase and finance, through maintenance and on to the ultimate sale of a vehicle. The Company has submitted a full information memorandum to the UK Listing Authority ('UKLA'), which will be published in due course. The UKLA continue to review the prospectus and we expect this to be agreed with UKLA in the relatively near future in order that the placing and re-admission of the shares of your company to trading on the standard segment of the LSE may take place. The Investment is subject, inter alia, to the completion of due diligence, documentation and compliance with all regulatory requirements.

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

James Longley
Director

30 April 2019

**PAPILLON HOLDINGS PLC
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Principal activity

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

Key performance indicators

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

Principal risks and uncertainties

i. Business strategy

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

ii. Liquidity Risk

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

Going Concern

Having given due considerations to the nature of the Company's business, the Directors consider that the Company is a going concern and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future.

On behalf of the board

Director

James Longley
30 April 2019

**PAPILLON HOLDINGS PLC
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

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

The directors have not recommended a dividend.

Strategic Report

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

Directors

The following directors have held office throughout the period:

James Longley
Charles Tatnall

Directors' interests

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

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

Substantial Interests

The Company has been informed of the following shareholdings that represent 3% or more of the issued Ordinary Shares of the Company as at 30 April 2019:

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

**PAPILLON HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Dividends

No dividends will be distributed for the current year (2017 - nil).

Supplier Payment Policy

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

Financial risk and management of capital

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

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

Financial instruments

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

Auditors

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PAPILLON HOLDINGS PLC
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Corporate Governance

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

Application of principles of good governance by the board of directors

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

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

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

Statement of disclosure to auditors

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

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

Post Balance Sheet Events

Further information on events after the reporting date is set out in note 19. The Directors' have chosen to produce a Strategic Report that discloses a fair review of the business, the key performances metrics that the Directors review along with a review of the key risks

On behalf of the board

James Longley
Director

30 April 2019

**PAPILLON HOLDINGS PLC
DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Introduction

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

Remuneration Committee

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

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

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

The remuneration policy

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

Service agreements and terms of appointment

The directors have service contracts with the company.

Directors' interests

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

Directors' emoluments

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

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

Approval by shareholders

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

This report was approved by the board on 29 April 2019.

On Behalf of the Board
James Longley
Committee Chairman
30 April 2019

**PAPILLON HOLDINGS PLC
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Policy

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

Application of principles of good governance by the board of directors

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

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

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

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

Audit committee

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

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

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

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

On Behalf of the Board
James Longley
Director

30 April 2019

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

For the year ended 31 December 2018

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

Opinion

We have audited the financial statements of Papillon Holding Plc for the year ended 31 December 2018, which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2018 and of the company's result for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance

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

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

- Related party transactions
- Going concern

These are explained in more detail below

Materiality:

Company financial statements:

- £18,000 (31 December 2017: £12,000)
- Based on 3% of Net Loss

Audit scope

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

Key audit matters

Key audit matter	How our audit addressed the key audit matter
<p>Going concern</p> <p>The Company is dependent upon its ability to generate sufficient cash flows to meet continued operational costs and hence continue trading.</p> <p>The going concern assumption is dependent on future growth of the current business.</p>	<p>Management’s going concern forecasts include a number of assumptions related to future cash flows and associated risks. Our audit work has focused on evaluating and challenging the reasonableness of these assumptions and their impact on the forecast period.</p>

Our application of materiality

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

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

	Company financial statements
Overall materiality	£18,000 (31 December 2017: £12,000).
How we determined it	Based on the average of 3% of revenue, 10% of loss before tax and 3% of gross assets.
Rationale for benchmark applied	We believe that profit before tax is a primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £18,000 (31 December 2017: £12,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

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

How we tailored the audit scope:

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

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

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other matters which we are required to address

We were appointed as auditors by the Company at the Annual General Meeting on 9 September 2016. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2018.

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

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

Revised financial statements

In our opinion the revised financial statements have been properly prepared in accordance with the provisions of the 2006 Act and where applicable Article 4 of the IAS Regulation as they have effect under these Regulations, and in particular whether a true and fair view, seen as at the date the original annual accounts were approved, is given by the revised accounts with respect to the matters set out in section 495(3)(a) to (c) of that Act.

In our opinion the original annual accounts failed to comply with the requirements of the 2006 Act and, where applicable, Article 4 of the IAS Regulation in the respects identified by the directors the statement required by regulation 4(2)(a)(iv)

The information contained in the directors' report for the year ended is consistent with those accounts.

Sanjay Parmar
Senior Statutory Auditor

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

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Date: 30 April 2019

PAPILLON HOLDINGS PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018 £'000	Period to 31 December 2017 £'000
	Notes		
Continuing operations			
Revenues		-	300
Gross profit		<u>-</u>	<u>300</u>
Listing costs	5	(12)	(47)
Administrative expenses	5	(369)	(414)
Finance costs		(23)	-
Other Income: Interest received	20	<u>7</u>	<u>-</u>
Loss before taxation		(397)	(161)
Taxation	7	-	-
Loss and comprehensive loss for the period		<u>(397)</u>	<u>(161)</u>
Basic and diluted loss per share	8	(0.299p)	(0.122p)

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

The notes on pages 22 to 33 form part of these financial statements.

PAPILLON HOLDINGS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		As at 31 December	
	Notes	2018 £'000	2017 £'000
Assets			
Current assets			
Other receivables	10	169	124
Cash and cash equivalents	11	31	69
Total Assets		200	193
Equity and liabilities			
Current liabilities			
Trade and other payables	12	227	23
Convertible loan notes	13	194	-
Total Liabilities		421	23
Equity attributable to equity holders of the company			
Share Capital - Ordinary shares	14	132	132
Share Premium account	14	602	602
Loan Notes Equity Reserve	13	6	-
Accumulated Deficit	15	(961)	(564)
Total Equity		(221)	170
Total Equity and liabilities		200	193

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

The notes on pages 22 to 33 form part of these financial statements.

Approved by the Board and authorised for issue on 30 April 2019

James Longley
 Director

Company Registration No. 09829720

PAPILLON HOLDINGS PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	31 December 2018	31 December 2017
		£'000	£'000
Cash flows from operating activities			
Operating loss	5	(397)	(161)
(Increase)/decrease in receivables		(45)	141
Increase/(decrease) in payables		204	(10)
		<hr/>	<hr/>
Cash flow from operating activities		(238)	(30)
Cash flows from financing activities			
Issue of 10% Convertible Loan Notes	13	200	-
Net cash from/(used in) financing activities		<hr/> 200	<hr/> -
Net increase/decrease in cash and cash equivalents		(38)	(30)
Cash and cash equivalents at the beginning of the		69	99
Cash and cash equivalents at end of period		<hr/> 31	<hr/> 69
Represented by: Bank balances and cash		<hr/> 31	<hr/> 69

The notes on pages 22 to 33 form part of these financial statements.

PAPILLON HOLDINGS PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

The notes on pages 22 to 33 form part of these financial statements.

**PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1 General information

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

2 Accounting policies

2.1 Basis of Accounting

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

These policies have been consistently applied.

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

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

a) Going concern

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

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

b) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The Company has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2018 including IFRS 15 and IFRS 9.

The nature and impact of amendment is described below:

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

- IFRS 16 Lease, effective date 1 January 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.
- IFRIC 23 "Uncertainty over Income Tax Treatments", effective date 1 January 2019 clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Segmental reporting

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

2.3 Cash and cash equivalents

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

Equity

Equity comprises the following:

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

Equity instruments

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

Financial assets

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

Loans and receivables

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

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

The Company's loans and receivables financial assets comprise other receivables (excluding prepayments) and cash and cash equivalents included in the Statement of Financial Position.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contracts which give rise to them and are classified as financial liabilities at fair value

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

through the profit and loss or loans and payables as appropriate.

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

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

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

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

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

2.5 Taxation

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

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

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

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

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2.5 Taxation (continued)

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

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

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

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

3 Critical accounting estimates and judgments

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

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

4 Financial risk management

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

a) Liquidity risk

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

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 Financial risk management (Continued)

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

b) Capital risk

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

Financial Risk Management Financial instruments by category

Financial assets	31 December 2018	31 December 2017
	£'000	£'000
Other receivables	148	122
Prepayments and Accrued interest	21	12
Cash and cash equivalents	<u>31</u>	<u>69</u>
Total current financial assets	200	193
Financial liabilities	31 December 2018	31 December 2017
	£'000	£'000
Trade and other payables	227	23
Convertible Loan notes	<u>194</u>	-
Total current financial liabilities	421	23

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

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

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

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

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

4 Financial risk management (Continued)

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

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

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

Borrowings and other liabilities mature according to the following schedule:

	2018	2017
	£'000	£'000
Within 1 year Within 1 year		
Trade and other payables	227	37
Convertible Loan notes	194	-

5 Operating loss, expenses by nature and personnel

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Operating loss is stated after charging:		
Directors Remuneration	2	24
Consulting and advisory fees	116	247
Premises	35	35
Legal and professional fees	56	7
Listing costs	12	47
Audit fees	9	9
Other administrative expenses	154	92
Total administrative expenses	<u>384</u>	<u>461</u>

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

6 Personnel

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

There were no benefits, emoluments or remuneration payable during the period for key management personnel other than the £2,000 disclosed in Note 5 and £2,578 paid in fees and disclosed in note 20 as a related party transaction.

7 Taxation

	Year ended 31 December 2018	Year to 31 December 2017
	£'000	£'000
Total current tax	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(397)	(161)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2017: 19%)	(75)	(30)
Effects of:		
Non-deductible expenses	26	11
Tax losses carried forward	49	19
Current tax charge for the period	-	-

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

The company has estimated tax losses of £573,000 available for carry forward against future trading profits.

The tax losses have resulted in a deferred tax asset of approximately £109,000 (2017: £64,000) which has not been recognised in the financial statements due to the uncertainty of the recoverability of the amount.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

8 Earnings per share

	Year to 31 December 2018	Year to 31 December 2017
Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:		
Loss after tax attributable to equity holders of the company	(£396,749)	(£160,993)
Weighted average number of ordinary shares	132,400,000	132,400,000
Basic and diluted loss per share	<u>(0.299p)</u>	<u>(0.122p)</u>

There were no potential dilutive shares in issue during the period

9 Capital risk management

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

10 Other receivables

	2018 £'000	2017 £'000
Other receivables	148	122
Prepayments and accrued interest	21	2
	<u>169</u>	<u>124</u>

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

11 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank	31	69
	<u>31</u>	<u>69</u>

12 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	166	12
Accruals	61	11
	<u>227</u>	<u>23</u>

13 Borrowings

Convertible loans

On 26 October 2018 the Company issued £100,000 convertible loan notes, repayable on 25 October 2019 if not converted into shares prior to that date, and bearing interest at 10% p.a, payable quarterly in arrears. On 28 November 2018 the Company also issued £100,000 convertible loan notes, repayable on 27 November 2019 if not converted into shares prior to that date, and bearing interest at 10% p.a, payable quarterly in arrears.

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

The Directors estimate the fair value of the liability component of the loan notes at 31 December 2018 to be approximately £193,958. This fair value has been calculated by discounting the future cash flows at the deemed market rate of 12%.

14 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
132,400,000 Ordinary shares of £0.001 each	132	132
	<u>132</u>	<u>132</u>

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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14 Share capital (Continued)

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

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

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

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

15 Accumulated deficit

	2018	2017
	£'000	£'000
At start of period	(564)	(403)
Loss for the period	(397)	(161)
As at 31 December	<u>(961)</u>	<u>(564)</u>

16 Contingent liabilities

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

17 Capital commitments

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

18 Ultimate controlling party

As at 31 December 2018 the ultimate controlling parties of the Company are the Directors, Charles Tatnall and James Longley, who have a combined shareholding of more than 50% of the ordinary share capital of the company.

PAPILLON HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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19 Events after the reporting period

On 10th May 2019, Company is expected to receive cash in exchange of issuance of loan notes to Novum Securities Limited from a committed loan note subscription. There are no other events after the reporting period other than disclosed in the directors' report.

20 Related party transactions

During the year ended 31 December 2018 the Directors received consultancy fees through the following companies:

Director	Company	2018 Fees paid £	2017 Fees paid £
James Longley	James Longley Limited	56,400	89,468
Charles Tatnall	Tatbels Limited	56,400	89,000
		<u>112,800</u>	<u>178,468</u>

During the year ended 31 December 2018 the Directors were paid fees which amounted to £2,578 as follows:

Director	2018 Fees paid £	2017 Fees paid £
James Longley	-	60,000
Charles Tatnall	2,578	60,000
	<u>2,578</u>	<u>178,000</u>

During the year ended 31 December 2018 the Company paid rent of £35,400 (35,400: 2017) in respect of rental of offices. The head lease on these offices is owned by James Longley.

During the year ended 31 December 2018 the Company made a loan of £10,500 to Fandango Holdings PLC at a rate of 5% per month payable upon demand. Charles Tatnall is a director of Fandango Holdings PLC.

Assignment of Loan and Transfer of Litigation Rights

On 18 April 2018, James Longley assigned to the Company all of James Longley's legal and beneficial right, title and interest in a £100,000 loan that James Longley had made to an individual, namely James Thorpe, between 5 February 2016 and 20 September 2017, to fund two new ventures started by Mr Thorpe ("New Ventures"). James Longley's interests in

20. Related party transactions (Continued)

bringing claims against Mr Thorpe and the New Ventures in respect of James Longley's £100,000 loan are aligned with the interests of the Company, which had also loaned monies to Mr Thorpe and the New Ventures in anticipation of a possible reverse takeover by the Company of the New Ventures. In exchange for making this assignment, James Longley is to receive £90,000 from the Company. The amount due to James Longley is included other payables and an impairment of £90,000 has been booked against claims receivable from Mt Thorpe and New Ventures.

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

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