TechFinancials, Inc.

("TechFinancials, the "Company" or the "Group")

2018 Full Year Audited Results

TechFinancials (AIM: TECH), a fintech software provider of financial solutions including blockchain-based digital assets and traditional financial trading solutions for retail clients, today announces its results for the year ended 31 December 2018.

The Company also announces that in accordance with AIM Rule 26, electronic copies of its Annual Report and Accounts for the year ended 31 December 2018 are available from the Company's investor relations website at https://group.techfinancials.com. Hard copies of the 2018 Annual Report and Accounts will be posted to shareholders no later than 24 June 2019.

Financial Highlights

- Revenues of US$7.8 million (2017: US$13.4 million) a decrease of 42%
- Blockchain trading technology revenues of US$3.8 million (2017: US$0.24 million) increased by 1,479% - predominantly representing services provided to CEDEX
- Core software licensing revenues of US$1.3 million (2017: US$4.3 million) a decrease by 70%
- Trading platform revenues of US$2.7 million (2017: US$8.9 million) decreased by 70%
- Net cash used by operating activities of US$0.9 million (2017: cash generation of US$0.2 million)
- Gross margins increased to 79% (2017: 76%)*
- Impairment provision of US$2.4 million made to write-down the value of goodwill relating to the Group's 51% investment in DragonFinancials
- Reversal of asset recognised as a gain of US$9.48 million in the interim financial statements of 30 June 2018 in respect of the option to acquire up to an additional 90% of CEDEX shares
- Trading in second half adversely impacted by tightening regulation
- Operating loss of US$4.8 million (2017: operating profit of US$0.8 million)*
- EBITDA loss attributable to shareholders of US$1.9 million (2017: EBITDA profit of US$0.3 million)
- Pre-tax loss attributable to shareholders of US$5.3 million (2017: loss of US$2.5 million)
- Cash position of US$1.7 million as at 31 December 2018 (2017: US$3.5 million)*.
  Cash at 31 May 2019 stood at US$1.1 million
- The Board continues a policy of prudent cash management and monitoring to ensure adequate funding
- Basic earnings per share ('EPS') has decreased further to (US$0.066) (2017: (US$0.036))
- DragonFinancials, the Company's 51% subsidiary, paid dividends of US$1.7 million during 2018 with TechFinancials receiving US$0.9 million for its 51% interest (2017: US$7.2 million with TechFinancials receiving US$3.7 million)
- In January 2019, MarketFinancials entered into legally binding, conditional Share Purchase Agreement with a Cyprus incorporated company, to sell its entire shareholding in MF, consequently the associated assets and liabilities of the Company are presented as held for sale within these financial statements (Note 6)

* (prior to any adjustments attributable to discontinued operations as detailed in Note 6)

Operational Highlights

Blockchain Trading Technology Activity

- The Company continues to deepen its experience in blockchain-related projects, whilst providing the infrastructure and key software components to the CEDEX exchange used by it to complete a successful Token Sale and the launch of the Cedex blockchain diamond exchange.
- Signed a binding agreement with Footies Tech Ltd ("Footies") in December 2018, a Blockchain based ticketing venture for sports venues and teams, to establish a new subsidiary (Footies Ltd was incorporated in UK on 7 February 2019) with TechFinancials holding a 75% interest. TechFinancials will commit to support the financial needs of the venture to develop a proof of concept for a European football club.

Software Licensing (B2B)

- The number of brokers and their volumes have continued to decline, directly impacting revenues.
- Further tightening of regulation continued to impact the Group's historical business throughout markets across the world, including Asia. In February 2018, the B.O. Trade Financials Limited ("BOT") closed OptionFair and returned the license to Cyprus Securities and Exchange Commission ("CySEC"). The B2C no longer has a presence in European markets (although the B2B business has retained some customers in Europe).

Trading Platform (B2C)

- All of the Group's B2C revenues (except for US$26 thousand from B.O. TradeFinancials Limited ("BOT")) were generated by DragonFinacials which itself suffered because of the tighter regulatory environment.
- In February 2018, the Group withdrew its immediate plans to sell BOT and MarketFinancials Limited ("MF") after the potential buyer failed to secure regulatory consents for the acquisitions. BOT ceased its OptionFair trading operation in February 2018 and returned its CIF license to CySEC in August 2018.
- The Company is currently in the process of selling MF and in January 2019, it entered into a conditional Share Purchase Agreement with a Cypriot incorporated company, to sell its entire stake in MF for cash of EURO 100 thousand. As of the reporting date the Seychelles Financials Securities Authority ("SFSA") is reviewing the application of the buyer for ownership change being a pre-condition for the completion of transaction. The consent of the SFSA is required under the sale and purchase agreement to be received by 30 June 2019.

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About TechFinancials

TechFinancials, Inc (AIM: TECH) is a fintech software provider of financial trading solutions, including blockchain-based digital assets and traditional financial trading solutions for retail clients. The Group operates a B2B division licensing white label trading platform solutions to online brokers. In addition, the Company operates a B2C division operating trading platform incorporating a strategic joint venture focusing on solutions for traders in the Asia Pacific region.

In December 2018, the Company signed a binding agreement with Footies Tech Ltd, a ticketing venture for sports venues and teams, to license its technological blockchain infrastructure and established a new company to develop and market a blockchain based ticketing solution and event economics management system. The new venture is underway and is focused on enabling sports organisations to take full control over their ticket path once issued, including secondary market trading configuration and enforcement. The ultimate vision is to fully digitise sport clubs match day experience to economically benefit both fans and football clubs.

Additionally, TechFinancials holds a 2% interest and an option to acquire a further 90% in CEDEX, a blockchain-based on-line exchange for diamonds, which would give TechFinancials up to 92% of CEDEX or 87.4 % on a fully diluted basis.

Further information can be found at http://techfinancials.com.

Chairman's Statement

2018 continued to be a challenging year. However, as I indicated in my statement on the results for the half year to 30 June 2018, the Group has adapted to the significant changes in the regulatory landscape which have negatively impacted our markets, with vigour and innovation.

Whilst the impact of regulation has again affected revenues and profitability, we have developed innovative technology within new growth segments. In 2017, the Group began developing its technology to allow merchants to integrate the crypto-payment processing of Bitcoin, BitcoinCash and Ethereum into their systems and in 2018 this technology was integrated successfully into TechFinancials' new infastructure and licensed to CEDEX. Progress with these new technologies would indicate that there is considerable potential to replace our historical revenue models with more sustainable income streams.

We have made excellent progress with the development of new blockchain related products, particularly in relation to CEDEX, the blockchain-based online trading exchange for diamonds and financial derivatives based on diamond assets. TechFinancials currently has a 2% interest in CEDEX with an option to acquire a further 90%, giving it potentially up to 87.4 % on a fully diluted basis.

In November 2018, the CEDEX blockchain diamond exchange went live in Beta mode, allowing investors to trade diamonds as a financial asset class. TechFinancials has played a major role in the launch of CEDEX as the main provider of the infrastructure, blockchain and smart contract development on which the CEDEX platform is built.

CEDEX allows investors to securely and easily trade in digitized diamonds (DDC – Digital Diamond Certificate), while enabling diamond holders to liquidate their assets. Using the innovative DEX proprietary algorithm and blockchain technology, CEDEX has overcome the three main obstacles that have prevented diamonds from becoming a tradable asset class: lack of transparency, liquidity and standardization.

This was followed in December 2018 by the signing of a binding agreement with Footies Tech Ltd ("Footies'') to develop a blockchain based ticketing venture for the sports industry in which TechFinancials would hold a 75% interest in a newly-formed subsidiary.

Under the Agreement, TechFinancials will commit to support the financial needs of the company with an interest-free loan of up to US$0.5 million for the development of a proof of concept for a European football

club (“POC”), covering employees’ and consultants’ salaries, administration costs and business development and other expenses to be agreed by the Parties.

TechFinancials will license its technological blockchain infrastructure wherever suitable, free-of-charge in order for it to build a solid software infrastructure and shorten development timescales.

Footies’ vision is to fully digitise sport’s match day experience to economically benefit both fans and football clubs.

Combining Footies’ IP and data with TechFinancials’ proprietary technology, the venture will develop and market a blockchain based ticketing solution and event economics management for sports venues and teams. The initial phase of the product will focus on enabling sports organizations to take full control over their ticket path once issued including secondary market trading configuration and enforcement (via smart contracts), resolving one of the biggest business challenges facing football clubs today.

In August, trading in our ordinary shares commenced on the NEX Exchange Growth Market. The Company sees its dual listing on NEX as being complementary to its AIM listing.

Overall, revenues have decreased by 42% and losses attributable to shareholders were US$5.3 million against a loss of US$2.6 million in 2017. EBITDA (before impairment charges) has fallen from US$0.3 million in 2017 to a loss of US$1.9 million in 2018.

We have dealt with the impact of regulation through growing new revenue streams by way of the simplified forex platform, mobile trading solutions and the add-on Contract For Difference ("CFD") platform. What has been particularly important is the growth observed in revenues from blockchain related technologies which have grown fifteen fold to US$3.8 million, representing almost 50% of 2018 revenues. This has softened the blow from the loss of traditional B2C platform revenues and B2B licence income which both declined by nearly 70%. in 2018. However, these revenues, which were generated from the Company’s relationship with CEDEX and included one-off income of US$0.76 million in relation to the CEDEX Token Sale, are subject to significant and unpredictable volatility within the blockchain sector, and this level of income may not be sustained in 2019.

The Company recognised a gain of US$9.48 million in its interim financial statements to 30 June 2018 in respect of its option to acquire up to an additional 90 % of CEDEX. This valuation took into account the successful Token Sale which CEDEX completed in April 2018.

Since these interim financial statements were issued, the Crypto currency market place has been particularly volatile and valuations have been negatively impacted. As such, management believes that the fair value of the option can not be determined and the gain recognised in the first half of the year has been reversed in full. Accordingly, no gain has been recognised for the year as a whole, and the option has been carried at no value in the financial statements at 31 December 2018.

Our B2B software licensing business saw EBITDA losses increase from US$1.5 million to US$3.2 million in 2018 on the back of the 70% decline in revenues. The simplified forex, CFD platform and mobile trading solutions have helped to contain the loss of revenues, although their impact on EBITDA has been small.

The B2C trading platform business incurred an EBITDA profit attributable to shareholders of US$20 thousand compared to an EBITDA profit of US$1.8 million in 2017. In particular, DragonFinancials generated a post-tax profit of US$0.4 million against a post-tax profit of US$5.3 million in 2017 and paid dividends totalling US$1.7 million (2017: US$7.2 million). Whilst the Company continues to see opportunities in Asia, the reduced results reflect the growing impact that regulation has had in the region and, as a result, lower expectations for long-term prospects. Accordingly, the Board has recognised an impairment charge of US$2.4 million in order to write-off the goodwill associated with the acquisition of DragonFinancials in 2016 (Note 7.2).

Nevertheless, as previously noted, the additional contingent consideration became payable and was settled in May 2018 by the issue of new shares to OptionFortune shareholders to the value of $4.5 million.

A detailed analysis of the financial performance of each segment of the Group's business is provided in Note 25 to the financial statements.

The decline in the Group's financial performance has negatively impacted our cash flow and at the year-end our cash balances stood at US$1.7 million against US$3.5 million last year (due in part to reduced of dividends paid by DragonFinancials).

Notwithstanding the cash flow challenges, new product technologies are vital to our long-term future and we continue to believe that our R&D activity will support our growth plans as the main technology provider to CEDEX blockchain diamond exchange which was launched in November 2018.

Our agreement with Footies which we signed at the end of 2018 will build further our blockchain technology offering.

We have continued to manage cash in a prudent but ambitious manner to support our growth strategy and to enable us to deliver returns to shareholders by way of a progressive dividend payment policy.

As well as focusing on new growth opportunities, we have sought to either curtail or dispose of non-core loss-making activities. In February 2018, the Group withdrew its immediate plans to sell B.O. TradeFinancials Limited ("BOT") and MarketFinancials Limited ("MF") after the potential buyer failed to secure regulatory consents for the acquisitions. BOT ceased its OptionFair trading operation in February 2018 and returned its CIF license to CySEC in August 2018.

In January 2019, the Company entered into legally binding, conditional Share Purchase Agreement with a Cyprus incorporated company to sell its entire shareholding in MF. The total consideration for this subsidiary, which the Company no longer considers to be core to its future business strategy, will be EURO 100 thousand. MF has not traded since the end of February 2018.

The SPA is conditional *inter alia* on the consent of the SFSA which is required under the SPA to be received by 30 June 2019 but which has not yet been received.

Regulation

Tighter regulation continued to impact the Group's historical business throughout markets across the world. As previously announced in February 2018, the Group made the decision to close OptionFair and to return the licence to the Cyprus Securities and Exchange Commission ("CySEC ").

We no longer have a European presence and the regulatory impact on our venture in Asia with DragonFinancials has led us to write-off goodwill associated with our acquisition made in 2016.

By having a diversified project offering through the simplified forex platform and mobile trading solutions as well as the add-on CFD platform we have been able to weather these challenges whilst strengthening our strategic focus on new technologies, including blockchain.

We have continued to be agile and and adapted to the significant changes in the regulatory landscape which have negatively impacted the binary options market to the point where it now barely exists. Our proactive approach to developing new technology and finding creative solutions to fast-changing customer trends has been proven with the development of TechFinancials' blockchain trading technology which is opening new opportunities for the Group.

Our blockchain business remains in its infancy and is subject to considerable market volatility and uncertainty. We are nevertheless encouraged by our achievements in 2018 and further opportunities for the future.

Margins (prior to any adjustments attributable to discontinued operations as detailed in Note 6)

Gross profit decreased by 40.0 % to US$6.11 million from US$10.19 million in 2017, predominantly due to the reduced revenues of the Group. The gross margin in the year increased to 78.7% (2017: 76.3%) due to the high margin contribution from the blockchain trading activity, which compensated for the decreasing margins of the core software licencing business.

We have continued to review cost levels with reductions in headcount and operational costs which have helped to mitigate the fall in margins.

Business summary and operational review

B2B

The B2B business was adversely affected by the ongoing tightening of regulation. Many of its customers ceased operations due to their inability to comply with new regulations and, as result, they were unable to obtain basic services such as marketing channels, bank accounts and Processing Service Provider (" PSP") services.

B2C

DragonFinancials, the B2C trading platform focused on the Asia Pacific region and the partnership with the owners of OptionFortune, has seen a sharp decline in both revenue and profit as a direct result of the tightening of regulations. Revenues from DragonFinancials declined from US$8.5 million to US$2.6 million. The division achieved EBITDA of US$261 thousand against US$4.4 million in 2017. Dividends, totalling US$1.7 million were paid in 2018, with TF receiving US$0.9 million for its 51% interest. This compares with US$7.2 million and US$3.7 million respectively in 2017.

Under the terms of the agreement with the owners of OptionFortune, additional consideration was payable in cash or shares in respect of the results of DragonFinancials in 2017 and, as a result, a total of 12,406,352 TechFinancial's ordinary shares were issued at a price of £0.27 per share to the OptionFortune Shareholders, in lieu of payment of US$4.53 million in May 2018. The Company had recognised a contingent consideration payable of US$4.53 million in its financial statements in 2016 and therefore this payment has not affected the Group's results or net assets in 2018.

In February 2018, the Group took the decision to cancel the sale of its subsidiaries B.O. TradeFinancials Limited ("BOT") and MarketFinancials Limited ("MF") after the potential buyer failed to secure the relevant regulatory consents for the acquisition of either BOT or MF. The Group decided to cease its B2C operations in Europe and BOT returned its licence to the CySEC.

The Company has been actively looking to sell MF as a shell company that holds a license from the SFSA and, as noted above, entered into a conditional SPA in January to dispose of its interest in the company.

Blockchain

The Group's increasing focus on Blockchain technology, especially through its venture with CEDEX, has seen revenues reach US$3.8 million from just US$0.24 million in 2017. The business has been highly profitable and contributed US$1.3 million of pre-tax profits for the year. The performance of CEDEX in 2018 has allowed it to make a repayment of US$338 thousand of the loan it received from the Company in 2017. As noted above however, long-term revenues from providing technology to CEDEX are subject to the inherent

volatilities of the blockchain sector and the uncertainties this creates. As a consequence, revenues in 2019 may fall from that achieved in 2018.

The launch of the CEDEX blockchain diamond exchange in Beta mode in November 2018 and the agreement with Footies support our belief in exploring new opportunities and markets. However, the unpredictable nature of new technologies means that future income levels may be volatile and uncertain.

The collaboration with CEDEX is a strategic development aligned with the Company's long-term vision of utilizing its expertise and considerable experience in the development of online financial trading solutions and technology systems to further expand into new product areas.

In 2017, TechFinancials agreed to make an equity investment of US$200 thousand at a post-money valuation of US$10 million, representing 2% of CEDEX's current capital.TechFinancials also agreed a three-year option to acquire a further 90% of CEDEX at an exercise price of US$62 thousand, giving a potential maximum holding of 92% which was subsequently reduced to 87.4% on a fully diluted basis in March 2018.

Dividends

The Board will not be recommending a final dividend to the shareholders of the Company for FY2018 (2017: $nil). The Board's intention is to resume dividend payments when it is prudent to do so.

Outlook and current trading

The year has again been one dominated by regulatory challenges but with considerable progress away from the historical business model to new products and technologies.

We have continued to focus on developing new technologies and partnerships as well as seeking new investment opportunities to support future growth. The recently signed Footies agreement is expected to contribute to long-term growth prospects, particularly from 2020 onwards.

We are confident about the long-term prospects of the Group and will continue to invest for the future.

Our focus in 2019 will be to continue to invest in new technologies, partnerships and markets, supported by our R&D efforts. We hope to strengthen our blockchain business through our relationship with Footies as well as supporting the technological needs of CEDEX.

I would like to thank our shareholders and staff for their continued support in what has been a difficult year.

We look forward to updating the market on our progress in due course.

Christopher Bell
Independent Non-Executive Chairman
18 June 2019

Strategic Report

<u>Financial Results</u> (prior to any adjustments attributable to discontinued operations as detailed in Note 6)

The Group's revenues for the year ended 31 December 2017 decreased by 41.9% to US$7.76 million (2017: US$13.36 million).

Revenues in the B2B software licencing business decreased on a standalone basis by 70.3 % to US$1.53 million from US$5.14 million in 2017. The decrease was mainly due to ever tighter regulation in the industry and customers exiting the market.

The B2C trading platform's revenues decreased by 69.7% to US$2.68 million from US$8.86 million in 2017. DragonFinancials, which operates our B2C trading platform in the Asia Pacific region, has suffered from the regulatory impacts and produced revenue of US$2.6 million compared with US$8.5 million in 2017. The financial performance of DragonFinancials in 2017 resulted in additional contingent consideration of US$ 4.53 million which was settled in May 2018 by way of the issue of shares as outlined in Note 18.

Our developing blockchain technology division generated US$3.82 million of revenues (from CEDEX) and a pre-tax profit of US$1.29 million (2017: US$242 thousand and US$26 thousand respectively).

Gross profit decreased by 40.0% to US$6.11 million from US$10.19 million in 2017, predominantly due to the lower revenues from the B2B software licencing business and B2B trading platform. This was partially offset by the growth in high margin blockchain revenues which included one-off income of US$0.76 million. The gross margin in the year increased to 78.8% (2017: 76.3%).

B2B margins declined on a standalone basis from 75.9% to 46.0%, whilst margins in the B2C division have declined from 70.7% to 66.6%.

Operating results fell from a profit of US$0.82 million to a loss of US$4.8 million. We have increased research and development expenditure as a result of additional investment in blockchain technologies, whilst selling and marketing expenditure decreased as revenues declined. Administration costs increased as a result of the higher costs in 2018 relating to disposal of non-core loss-making activities along with an impairment (US$2.4 million against US$1.5 million in 2017) reflecting the write-off of goodwill in respect of DragonFinacials.

In particular, R&D expenditure increased by 19% to US$3.5 million, reflecting a continued focus on product innovation, one-off services related to the CEDEX Token Sale, regulation and improving customer experience.

Administration costs increased by 16% to US$3.5 million from US$3.0 million in 2017, mainly due to costs related to the disposal of non-core loss-making activities some of which are non – cash items.

Selling and marketing costs reduced by 27% to US$1.4 million from US$1.9 million in 2017, reflecting a continuing curtailment in marketing activities whilst the Group restructured its activities and shifted focus to new technologies and products.

The results reflect the growing impact that regulation has had on Asia and, as a result, lower expectations for long-term prospects in the joint venture with DragonFinancials. Accordingly, the Board has recognised an impairment charge of US$2.4 million in order to write-off goodwill associated with the acquisition of DragonFinancials in 2016.

Overall, the Group recorded a loss before tax of US$4.99 million (2017: profit before taxation of US$0.12 million) and a loss after taxation of US$5.08 million (2017: profit after taxation of US$5 thousand).

The decrease in B2C trading platform revenues has reduced EBITDA (before non-cash charges) for the division from US$4.38 million in 2017 to US$261 thousand in 2018.

B2B licence income has produced US$3.21 million of EBITDA losses compared with a loss of US$1.48 million in 2017. The decline in revenues and margins have resulted in widened losses in the division.

As noted in the Chairman's statement above, the Company recognised a gain of US$9.48 million in its interim financial statements to 30 June 2018 in respect of its option to acquire up to an additional 90% of CEDEX. This gain has now been reversed in the full year financial statements and accordingly, the Company has made losses for the 12 month period as a whole.

There is a tax expense of US$85 thousand in 2018 (2017: US$111 thousand). A majority of the Group's profits have not been taxable, as the profits generated by DragonFinancials are sourced from the Seychelles and are

not subject to tax. Profits from the blockchain services provided to CEDEX are also free of tax as these have been generated in the BVI. In Israel, the Group is taxable at a rate of 23% of assessable profits (2017: 24%) while in Cyprus the statutory rate of tax is 12.5%. Further details are provided in Note 16.

Basic and diluted loss per share ('EPS') has increased from a loss of US$3.58 cents in 2017 to US$6.55 cents in 2018.

The Group's operations consumed US$0.88 million of cash in 2018 compared with positive cash generation of US$173 thousand in 2017.

Cash inflows from investing activities were US$31 thousands (2017: cash outflows of US$0.80 million). This included US$0.3 million in respect of loan repayments from CEDEX along with an Equity investment in Cedex of US$0.2 million.

Cash outflows from financing activities were US$0.83 million (2017: US$3.62 million), which reflects the reduced dividend payment of US$0.83 million (2017: US$3.52 million) to the non-controlling partners, the shareholders of DragonFinancials.

The Group has continued to place great importance on strong controls over working capital and the collection of cash from operators. Debtor days at the end of 2018 were 40 days compared with 57 days at the end of 2017.

The Group's cash position at 31 December 2017 was US$1.71 million (31 December 2017: US$3.50 million).

Operations

Operationally, the Group has completed most of its restructuring of activities in the light of ever increasing regulation and an industry-wide decline in activity across binary options.

Investment in R&D has increased, particularly in developing blockchain technologies and other new products and services. We believe further R&D will be critical in our focus on innovation to drive shareholder value.

We have supported the launch of CEDEX blockchain diamond exchange which went live in Beta mode in November 2018, allowing investors to trade diamonds as a financial asset class.
We have also signed a binding agreement with Footies Tech Ltd in December 2018, a Blockchain based ticketing venture for sports venues and teams, to establish a new subsidiary with TechFinancials holding a 75% interest. TechFinancials will commit to support the financial needs of the venture to develop a proof of concept for a European football club.

We also reached an agreement in January 2019 to dispose of MarketFinancials.

The investment we made in DragonFinancials in 2016 has suffered from regulatory impacts in 2018 and the Directors resolved that a write-off of goodwill which arose on the acquisition was necessary.

R&D activities have been maintained and in certain areas such as blockchain, have been enhanced to support future growth. TechFinancials will continue to develop new products and invest in its highly experienced R&D team.

Our cash reserves have been carefully managed so that we are well placed to capture growth from new products and markets.

The Directors have continued to invest in the Group's long-term growth plans whilst keeping operational and management costs under control.

Key Performance Indicators

The Board monitors key performance indicators ('KPIs') on a monthly basis. The Board considers that the most important KPIs for the success of the business are:

- Numbers of licensees using the Group's software: 8 (2017: 13).
- Total number of trades executed through its licensees: 3.32 million (2017: 8.16 million).
- Total revenues: US$7.8 million (2017: US$13.4 million)
- EBITDA loss attributable to shareholders: US$1.9 million (2017: EBITDA profit of US$0.3 million)
- Cash used by operating activities: US$0.9 million (2017: cash generation of US$0.2 million)

The Company's systems track trading volumes on a daily basis. These statistics provide an early and reliable indicator of current performance of the trading platform. Profitability of the business, with its relatively low fixed cost base, is managed primarily via a review of revenue and margins. Blockchain revenues are based on time and materials and monitored closely. Working capital is reviewed by measures of absolute amounts and debtor days.

Principal Risks and Uncertainties

In addition to the financial risks discussed in Note 24, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for simplified trading solutions and blockchain trading technology products and future success of Footies in which we are commited to providing fianancing of USD 0.5 million

The Group is dependent on growth in the markets for its trading solutions and the evolution of new markets adopting products based on blockchain technologies. The environment of these sectors is not yet mature and where service providers need to offer solutions to cope with new regulations allowing customers to trade.

The Group seeks to mitigate this risk by diversifying exposure across geographical markets, increasing the number of market sectors in which it operates, diversifying the type of customers with whom the Group transacts and increasing the range of service offerings that it provides. The Group undertakes marketing activities to inform current and prospective customers about the benefits of its service offering and its proven ability to fulfil those objectives.

Competitors in the evolving blockchain trading technology industry may emerge through acquisitions or through development of disruptive technologies.

Constant investment in research and development of new products and services is key to the Group remaining competitive and attractive to new customers.

Potential downturn in the market for CEDEX

The Group's option over a majority interest in CEDEX means that it will potentially be exposed to new sector risk if its option is exercised. The CEDEX blockchain based diamond exchange is the first of its kind and its financial prospects have not yet been proven. The future financial success is dependent on the development of its trading systems and the regulations surrounding the Crypto currency industry.

Blockchain valuations are subject to volatile movements which might impact on the Group's future revenues and financial condition. The Group conducts extensive research before making investments as a means of mitigating these risks.

As noted above, the any value the option may have is difficult to estimate and in the current climate is likely to be limited. Further funding might be needed to operate the CEDEX business and this would be taken into account before any decision to exercise the oprtion is undertaken,

Information technology risks

The Group depends on technology and advanced information systems, which may fail or be subject to disruption. The integrity, reliability and operational performance of the Group's IT systems are critical to the Group's operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, unauthorised access, natural hazards or disasters or similarly disruptive events. Furthermore, the Group's current systems may be unable to support a significant increase in traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of the Group's IT infrastructure or the telecommunications and/or other third-party infrastructure on which such infrastructure relies, could lead to significant costs and disruptions that could reduce revenue, damage the Company's reputation and have a material adverse effect on the operations, financial performance and prospects of the Group.

The Group has in place business continuity procedures and security measures to protect against network or IT failure, or disruption. However, those procedures and measures may not be effective against all forms of disruption and may not serve to ensure that the Group is able to carry on its business. Should these measures and protections fail to operate as intended or at all, they might not prevent a material disruption to the Group's operations, and the resultant material adverse effect on its financial performance and prospects.

In addition, the Group's controls may not be effective in detecting or preventing any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and other forms of cyber-crime. Any failure in these protections could harm the Group's reputation and have a material adverse effect on the operations, financial performance and prospects of the Group.

Intellectual property risks

The Group's business relies on a combination of trademarks, copyrights, and trade secrets to protect its brands, software and know-how. The protection provided by these intellectual property rights, confidentiality laws and contractual restrictions is limited and varies between countries. Furthermore, there can be no guarantee that current or future applications for registered intellectual property rights will be granted or that the Group's intellectual property rights and contractual provisions will be adequate to prevent the misappropriation, infringement or other unauthorised use of the Group's intellectual property by third-parties.

Despite steps taken by the Group to protect its proprietary rights, third-parties may attempt to copy aspects of the Group's products and seek to use information that the Group regards as proprietary. Competitors may also independently develop similar technologies or seek to recruit the Group's employees who have had access to proprietary technology, processes or operations of the Group. There is a risk that the Group's means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect the Group's business.

Litigation may be necessary to protect its proprietary rights, which could result in substantial costs to the Group and the diversion of efforts from the Group's business with no guarantee of success, and the Group could have the validity of its ownership of rights challenged and it may lose them. All of these issues could materially adversely affect the Group's business or its reputation, financial condition and/or operating results.

Payment processing risks

The provision of convenient, trusted, fast and effective payment processing services to the Group's customers and potential customers is critical to the Group's business. The tightening of regulation is playing a role in increasing the risks the Group faces in this area. The risk manifests as increasing interruption in the Group's B2B client's payment processing services to their end clients particularly in certain geographical locations and a knock-on effect on the Group's software revenues from its customers.

There has also seen a significant ramp up of due diligence requirements by international banks and in many cases a reluctance to open accounts even for regulated entities. The effect is an increased risk of payment default from the Group's software licensees. A continuation of these occurrences could have a material adverse effect on the Group's operations, financial performance and prospects.

Dependence on key customers and partners

TechFinancials currently derives a substantial proportion of its revenues and profits from its investment in DragonFinancials and Cedex as customers. The Board continues to develop a diversified range of products and technologies in order to reduce sector or product-specific risks.

Attracting and retaining talented staff

TechFinancials is a market leader and we strive to be seen as an excellent employer within the industries in which we operate. We benchmark ourselves against our peers regularly and are satisfied that we offer competitive salaries and outstanding personal development opportunities that are further enhanced by the Group's ambitious growth plans. We have been successful in recruiting and retaining high calibre staff. However, we recognise we must continue our focus as competition for talented people mainly in Research and Development intensifies within the sector.

Regulatory/Compliance Risk

Regulatory controls continue to tighten and impose challenging demands on the resources of the Group.

Several European regulators have embarked on measures to ban the marketing of binary options within their jurisdictions whilst also imposing severe limitations on CFD and Forex trading offered to retail clients. The introduction of MiFID II in January 2018 has presented further restrictions under European regulatory law. Thus far, MiFID II has not brought about any changes to the product offerings but has introduced more general restrictions.

Tightening regulation is not however limited to Europe with changes also occurring in Canada, Australia, China and many other territories.

We believe that regulatory demands will inevitably increase further in 2019.

New jurisdictions continue to introduce legislation aimed at regulating retail trading whilst simultaneously regulators, governments and financial institutions continue to strive to close down the unregulated brands.

While TechFinancials tries to ensure that all its software licensees are responsible for complying with all applicable laws, there is a risk that royalty income from unregulated companies might be at risk.

Governments are expected to increase regulatory controls over the token sale market, cryptocurrency exchanges, and traders. This may result in increased controls over token sales whereby such tokens might be considered as securities and regulated under relevant laws. Cedex is exposed to future regulation because it raised money from a Token Sale. Techfinancials is therefore at risk of a losing income from a key customer.

Corporate Responsibility

The Company takes its responsibilities as a corporate citizen seriously. The Board's primary goal is to create shareholder value but in a responsible way which serves all stakeholders.

Governance

The Board considers sound governance as a critical component of the Group's success and has made it one of its highest priorities. The Company has an effective and engaged Board, with a strong non-executive presence from a diverse range of backgrounds and well-functioning governance committees. Through the Group's compensation policies and variable components of employee remuneration, the Remuneration Committee of the Board seeks to ensure that the Company's values are reinforced in employee behaviour and that effective risk management is promoted.

More information on our corporate governance practices can be found on pages 22 to25.

Employees and their development

The Group is dependent upon the qualities and skills of its employees and the commitment of its people play a major role in the Group's business success. The Group invests in training and developing its staff through internally arranged knowledge sharing events and through external courses.

Employees' performance is aligned to the Group's goals through an annual performance review process and via incentive programmes. The Group provides employees with information about its activities through regular briefings and other media. The Group operates a number of bonus and sales commission schemes and a share option scheme operated at the discretion of the Remuneration Committee.

Diversity and inclusion

The Group does not discriminate on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability, sexual orientation or marital status. The Group gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board does not support discrimination of any form, positive or negative, and all appointments are based solely on merit.

Health and safety

The Group endeavours to ensure that the working environment is safe and healthy and conducive to the wellbeing of employees who are able to balance work and family commitments. The Group has a Health and Safety at Work policy which is reviewed regularly by the Board. The Group is committed to the health and safety of its employees, clients, sub-contractors and others who may be affected by the Group's activities. The Group provides the information, instruction, training and supervision necessary to ensure that employees are able to discharge their duties effectively. The Health and Safety procedures used by the Group ensure compliance with all applicable legal and regulatory requirements as well as its own internal standards.

Growth Strategy and Outlook

The Company made the strategic decision in 2017 to apply its skills and technology to blockchain related technologies and businesses which the Board believes offers significant market potential for exponential growth in the coming years.

In line with its strategy of looking for opportunities to invest in technological innovation related to blockchain, whilst also advancing its own infrastructure in order to bring new products to the market, in December 2018, TechFinancials signed a binding agreement with Footies Tech Ltd, a ticketing venture for sports venues and teams, to license its technological blockchain infrastructure and establish a new company to develop and market a blockchain based ticketing solutions and event economics management system. The new venture is focused on enabling sports organisations to take full control over their ticket path once issued, including secondary market trading configuration and enforcement. The ultimate vision is to fully digitise sport clubs match day experience to economically benefit both fans and football clubs.
We are looking to integrate the Footies acquisition into the Group's activities and see considerable growth potential over the long-term.

Additionally, TechFinancials holds a 2% interest and an option to acquire a further 90% (which would give TechFinancials up to 92% of CEDEX or 87.4% on a fully diluted basis) in CEDEX, the first blockchain based global diamond exchange. CEDEX is a ground-breaking platform –that allows investment in diamonds as a new financial asset class, using blockchain and additional proprietary technology to overcome the obstacles that until now have prevented diamonds from participating in financial markets.

The Company also operates a B2B division licensing white label trading platform solutions to online brokers. In addition, the Company operates a B2C division operating trading platform incorporating a strategic joint venture focusing on solutions for traders in the Asia Pacific region.

We will continue to launch new trading platforms and other products to meet the changing demands of our global customer base and to target markets with high growth potential and develop solutions for newly regulated jurisdictions.

Investment in our brand is vital and our marketing activities will seek to strengthen further the Company's brand awareness.

The Company has ceased all B2C operation in the EU and its B2C trading is now concentrated solely in the Asia Pacific region via its Joint Venture, DragonFinancials.

We remain committed to creating value for shareholders and I would like to thank our shareholders

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Revenue		7,764	13,362
Cost of sales		(1,650)	(2,908)
Gross profit		**6,114**	**10,454**
Research and development		(3,478)	(2,916)
Selling and marketing expenses		(1,396)	(1,918)
Administrative expenses		(3,499)	(3,013)
Other expenses	24	(41)	-
Impairment of intangible assets	7	(2,434)	(1,501)
Operating profit / (loss)		**(4,734)**	**1,106**
Bank fees		(59)	(75)
Foreign exchange (loss) / profit		(166)	16
Finance cost of contingent consideration	18	-	(471)
Other financials income		4	4
Financing expenses		**(221)**	**(526)**
Profit / (loss) before taxation		**(4,955)**	**580**
Income tax (expense) / credit	16	(85)	(111)
Profit / (loss) for the year from continuing operations		**(5,040)**	**469**
Loss from discontinued operations	6	**(35)**	**(464)**
Total comprehensive income / (loss)		**(5,075)**	**5**
Profit / (loss) attributeable to:			
Owners of the Company		(5,274)	(2,599)
Non-controlling interest	18	199	2,604
Profit / (loss) for the period		**(5,075)**	**5**

Earnings per share attributable to owners of the parent during the year (Note 17):

Basic (Cents USD)	**(6.55)**	**(3.58)**
Diluted (Cents USD)	**(6.55)**	**(3.58)**
From continuing operations – Basic (Cents USD)	**(6.50)**	**(2.94)**
From continuing operations – Diluted (Cents USD)	**(6.50)**	**(2.94)**
From discontinued operations – Basic (Cents USD)	**(0.05)**	**(0.64)**
From discontinued operations – Diluted (Cents USD)	**(0.05)**	**(0.64)**

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 US$'000	31 December 2017 US$'000
Non-current assets			
Intangible assets	7	3,212	6,026
Property and equipment	8	471	671
Other long term assets	9	51	90
Investment in related party	19,21	200	-
Loans to related parties	19,21	147	-
		4,081	**6,787**
Current assets			
Trade and other receivables	10	2,020	1,590
Restricted bank deposits	11	276	305
Asset held for sale	6	-	1,904
Cash	12	1,712	3,382
		4,008	**7,181**
Total Assets		**8,089**	**13,968**
Current liabilities			
Consideration due to shareholders	18	-	4,528
Trade and other payables	13	1,440	1,553
Held for sale liabilities	6	-	6
Income tax payable		90	78
		1,530	**6,165**
Non-current liabilities			
Shareholders loan	13,21	92	-
Equity			
Share capital	14	61	55

	Note		
Share premium account	14, 18	12,022	7,500
Share-based payment reserve	15	937	922
Accumulated profits / (losses)		(6,755)	(1,510)
Equity attributable to owners of the Company		**6,265**	**6,967**
Non-controlling interests		202	836
Total equity		**6,467**	**7,803**
Total Equity and Liabilities		**8,089**	**13,968**

Consolidated statements of changes in equity

For the year ended 31 December 2018

	Share capital (Note 14)	Share Premium (Notes 14, 18)	Treasury Shares	Share based payment reserve (Note 15)	Accumulated profits/ (losses)	Total	Non - controlling interests (Note 18)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2017	**55**	**7,500**	**(1,540)**	**925**	**1,008**	**7,948**	**1,756**	**9,704**
Total comprehensive income (expense) for the year	-	-	-	-	(2,599)	(2,599)	2,604	5
Dividends	-	-	-	-	-	-	(3,524)	(3,524)
Share based payment	-	-	-	78	-	78	-	78
Transfer of Share based payment reserve on lapsed options	-	-	-	(81)	81	-	-	-
Issue of shares	-	-	1,540	-	-	1,540	-	1,540
Balance at 31 December 2017	**55**	**7,500**	**-**	**922**	**(1,510)**	**6,967**	**836**	**7,803**
Total comprehensive income (expense) for the year	-	-	-	-	(5,274)	(5,274)	199	(5,075)
Dividend	-	-	-	-	-	-	(833)	(833)
Share based payment	-	-	-	44	-	44	-	44
Transfer of Share based payment reserve on lapsed options	-	-	-	(29)	29	-	-	-
Issue of shares	6	4,522	-	-	-	4,528	-	4,528

Balance at 31 December 2018	**61**	**12,022**	**-**	**937**	**(6,755)**	**6,265**	**202**	**6,467**

Consolidated statements of cash flows

For the year ended 31 December 2018

The consolidated statements of cash flows for the Group for the years ended 31 December 2017 and 31 December 2018 are set out below:

		Years ended 31 December	
		2018	**2017**
	Note	**US$'000**	**US$'000**
Cash Flows from operating activities			
Profit / (loss) before tax for the period		(4,990)	116
Adjustment for:			
Amortization of intangible assets	7	403	422
Impairment of intangible assets	7	2,434	1,501
Depreciation of property and equipment	8	227	104
Share option charge	15	44	78
Impairment of account receivables	18	41	-
Operating cash flows before movements in working capital			
Decrease / (Increase) in trade and other receivables	10	1,026	(856)
Decrease / (Increase) in long term receivables		39	(48)
Increase / (Decrease) in trade and other payables	13	(28)	(1,447)
Increase in long term contingent consideration	**A** ,18	-	471
Interest Expenses / (Income)		(4)	3
Income tax received		13	-
Income tax paid		(83)	(171)
Net cash generated from / (used for) operating activities		**(878)**	**173**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1	-
Decrease / (Increase) of restricted bank deposits	11	29	(26)
Development of intangible assets	7	-	(41)
Increase in software license	7	(25)	(65)
Loans given by the Company	19,21	(79)	(400)
Loans refund to the Company	19,21	332	-
Investment in Equity	21	(200)	-
Acquisition of property, plant and equipment	8	(27)	(267)
Net cash generated from / used in investing activities		**31**	**(799)**
Cash flows from financing activities			
Dividends paid to NCI	18	(833)	(3,524)
Repayment of borrowings	13	-	(98)
Net cash used in financing activities		**(833)**	**(3,622)**
Net increase/ (decrease) in cash and cash equivalents		**(1,680)**	**(4,248)**
Cash and equivalents at beginning of period		3,499	7,651
Effect of changes in exchange rates on Cash		(107)	96

Cash and equivalents at end of period	12	**1,712**	**3,499**

A - This non-cash movement relates to the settling of the deferred contingent consideration due to OptionFortune through the issue of ordinary share capital (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

TechFinancials Inc (the "Company") and its subsidiaries (together, the "Group") are engaged in the development and licensing of financial trading platforms to businesses and the provision of investment services through its trading platform and development of blockchain-based digital assets solutions. The Financial Statements present the consolidated results of the Group for each of the years ended 31 December 2018 and 2017.

TechFinancials Inc. (formerly Mika Holdings Inc.), a company incorporated in the British Virgin Islands on 16 June 2009 under the BVI Business Companies Act, 2004, is the holding company for the Group. The Company is listed on AIM and NEX.

The Group:

The Financial Statements of the Group consolidates the following companies: B.O. TradeFinancials Limited, a Cyprus Investment Firm ("CIF") in accordance with license no. 216/13 granted by the Cyprus Securities and Exchange Commission ("CySEC") on 27 September 2013 and renounced in August 2018; MarketFinancials Limited, a company regulated by the Financial Services Authority in Seychelles under the license SD006 issued on 21 October 2014; TechFinancials (Israel) 2014 Ltd, an Israeli incorporated company; DragonFinancials Limited, a company incorporated on 27 October 2015 in Seychelles owned 51% by TechFinancials Inc; Softbox Technologies Ltd, an Israeli incorporated company, incorporated on June 2018 and began operating in August 2018.

The companies within the Group are set out below:

Company name	County of registration or incorporation	percentage of ownership	Principal activity
TechFinancials, Inc.	British Virgin Islands		Development and licensing of financial trading platforms and blockchain-based digital assets solutions.
TechFinancials (Israel) 2014 Ltd.	Israel	100%	The provision of services to the Group.

Company name	County of registration or incorporation	percentage of ownership	Principal activity
Softbox Technologies Ltd.	Israel	100%	The provision of software development services of blockchain. Held by Teniko, as described below, and started operating in August 2018.
DragonFinancials Ltd.	Seychelles	51%	The provision of marketing services, being the operation of the Option33 trading platform.
B.O. TradeFinancials Limited.	Cyprus	100%	The provision of investment services, being the operation of the Optionfair trading platform. Ceased the activity in February 2018.
MarketFinancials Ltd.	Seychelles	100%	Liquidity provider, Providing market maker services and risk management to the Group Ceased the activity in February 2018.
Teniko Inc.	British Virgin Islands	100%	The holding company of Softbox, as described above, was incorporated on August 2018.

The registered offices for the companies within the Group are as follows:

TechFinancials, Inc.:	Craigmuir Chambers, PO Box 71, Road Town, VG1110 Tortola, British Virgin Islands.
TechFinancials (2014) Israel Ltd:	3 Hamada St. Herzliya, Israel.
Softbox Technologies Ltd:	3 Hamada St. Herzliya, Israel.
DragonFinancials Ltd:	Francis Rachel St. Victoria, Mahe, Seychelles.
B.O.TradeFinancials Limited:	1, Kosta Hadjikakou, Kyriakos Tower, 1st Floor 4107, Agios Athanasios, Limassol, Cyprus.
MarketFinancials Ltd:	Suite 3, Global Village, Jivan's Complex, Mont Fleuri, Mahe, Seychelles.
Teniko Inc:	Craigmuir Chambers, PO Box 71, Road Town, VG1110 Tortola, British Virgin Islands.

2. Summary of significant accounting policies

2.1. Basis of preparation

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union issued by the International Accounting Standards Board (“IASB”) including related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financials assets and liabilities at fair value through the profit and loss.

The preparation of Financial Statements in conformity with IFRS require the use of certain critical accounting estimation. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The area involving a higher degree of judgment or complexity, or area where assumption and estimation are significant to the consolidated Financial Statements are considered in Note 3(x).

New standards and amendments are effective since 2018, however that has no material effect on the consolidated financial statements, see Note 4.

2.2. Basis of consolidated reporting

The Financial Statements of the subsidiaries are prepared for the same reporting year as the parent Company using consistent accounting policies.

Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect these returns through its power over the investee. Control is lost when the Group no longer has rights to variable returns from its involvement with an investee entity and no longer has the ability to affect those returns as it no longer has power over the investee. When control is lost the subsidiaries are de-recognised and no longer consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary

acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Investments in subsidiaries are accounted for at cost less impairment. Acquisition related costs are expressed as incurred. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. Significant accounting policies

(a) <u>Currency translation</u>

(i) Functional and presentation currency

The individual Financial Statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (its functional currency). The Financial Statements of the subsidiaries are presented in USD, which is the presentation currency of TechFinancials Inc.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to USD at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of

foreign operations are translated at exchange rates approximating those ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

(b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realised within twelve months after the reporting period; or
(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in the normal operating cycle;
(ii) it is primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the subsidiaries and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognise such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss.

All items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

	Years
Computers	3
Furniture and equipment	6-10
Leasehold improvement	over the life of lease

The estimated useful life and depreciation method are reviewed and adjusted as appropriate at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the Financial Statements until they are no longer in use.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss within other income / expenses.

(d) Intangible assets

(i) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred. Development expenditure is recognised as an expense except when such expenditure is expected to generate future economic benefits when it is capitalised as an intangible asset.

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) its intention to complete the intangible asset and sell it;

(iii) the product or process is technically and commercially feasible;

(iv) its future economic benefits are probable (amortised over 5 years);

(v) its ability to use or sell the developed asset; and

(vi) the availability of adequate technical, financial and other resources to complete the asset under development.

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.

(ii) Computer Software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software

programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

(iii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU's"), or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use less costs on disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) <u>Impairment of non-financial assets</u>

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU'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 dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by available fair value indicators.

The Group bases these impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. The budgets and forecasts

calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(f) Financial assets

(i) Initial recognition and measurement

The Group has initially adopted in the current period IFRS 9 “Financial Instruments” and elected the simplified approach method (Note 4).

The Group classifies its financial assets in the following categories: loans and receivables. 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.

Loans and receivables

Loans and receivables 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. Loans and receivables comprise of cash and bank balances, trade and other receivables.

Financial assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired and through the amortisation process.

(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 Group 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.

(g) <u>Impairment of financial assets</u>

The Group has initially adopted in the current period IFRS 9 "Financial Instruments" and elected the simplified approach method (Note 4), measuring the loss allowance in an amount equal to the lifetime expected credit losses (Note 24). An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance that is offset from the carrying amount of the financial asset.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired, if so, the Group performs a detailed impairment calculation to determine whether an impairment loss should be recognised. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

Evidence of impairment may include indications that the receivables or a group of receivables is experiencing significant financial difficulty, default or delinquency in interest or principal repayments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(h) <u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities and include trade and other payables and borrowings. Financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of financial liability, or, where appropriate, a shorter period.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

(j) Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(k) Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Financial Statements, but are disclosed unless they are remote provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the Financial Statements, but are disclosed unless they are remote.

Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction from the proceeds.

(l) Share Capital

Ordinary shares are classified as shareholders' equity, net of transaction costs.

(m) Treasury shares

Treasury shares are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. Share options exercised during the reporting period are satisfied with treasury shares.

(n) Share-based payment

Certain employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 15.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 15).

(o) Dividends

Dividend distributions are recognised in the Company's Financial Statements in the year in which they are approved by the Board of Directors of the relevant entity being a part of the Group.

(p) Revenue recognition

The Group elected to adopt the provisions of IFRS 15, "Revenue from Contracts with Customers" using the the modified retrospective adoption method upon the initial application of the new standard (see note 4). No adjustments were required as a result of the new standard.

IFRS 15 introduces a five steps model for revenue recognition which is as follows: 1. Identify the contract(s) with a customer. 2. Identify the performance obligations in the contract. 3. Determine the transaction price. 4. Allocate the transaction price to the separate performance obligations in the contract. 5. Recognise revenue as each performance obligation is satisfied.

The Group followed this approach in determining its revenue recognition policies.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the Group has satisfied its performance obligation as laid out in its contact with its customers.

For B2B customers revenue is recognised in respect of the stage of completion of specific set up obligations and on completion of contract specific performance obligations.

For B2C the revenue is recognised at completion of each trade outcome which is when the obligation is complete.

Blockchain revenues are recognised upon completion of the performance of the obligated development service.

(q) Current and Deferred Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where its subsidiaries operate by the end of the financial period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in

the computation of taxable profit, and are accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, except where the Group 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.

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is charged or credited to the comprehensive income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Fiduciary activities

In order to render investment services to clients, the Group holds cash on behalf of clients. The cash is kept in segregated bank accounts in the Group's name on behalf of its clients and these accounts are held by the Group in a fiduciary capacity and are not included as part of the Group's assets and liabilities in the Financial Statements.

(s) Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where

another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Retirement benefit costs

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income in the same financial year as the employment that gives rise to the contributions.

(u) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

(v) Restricted bank deposits

Restricted bank deposits with an original maturity of more than three months and less than twelve months after the reporting date is presented as a current asset in the statement of financial position.

(w) Going concern

The Consolidated Financial Statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The group has prepared forecasts and projections which reflect the expected trading performance of the Group for at least 12 months from the date of the signing of the Financial Statements. These have been prepared on the best estimates of

management using all their current knowledge and expectation of trading performance across all group companies including any new ventures launched.

Based on the above, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, as well as to fund the Group's future operating expenses. The going concern basis preparation is therefore considered to be appropriate for the Consolidated Financial Statements.

Should the Group not be able to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amounts to provide for further liabilities which might arise and to re-classify non-currents assets as current.

The Financial Statements do not include any adjustments that may be required should the Group be unable to continue as a going concern.

(x) Critical accounting judgements and areas of key estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from

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

Judgements and estimates that may affect future periods are as follows:

Impairment of intangible assets and goodwill:

The Group tests annually whether intangible assets and goodwill, which have a carrying value, have suffered any impairment, in accordance with the accounting policy. Where applicable, the recoverable amounts of cash generating units have been determined based on value in use calculations. The value in use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value.

The recoverable amount of the product platforms has been determined based on value in use calculations. These calculations require the use of estimates (Note 7).

As of 31 December 2018, as outlined in Note 7.2, the directors have concluded that an impairment charge of US$2.4 million of goodwill is necessary. The remaining carrying value of the intangible assets and goodwill is US$0.6 million and US$2.606 million respectively.

Option valuation

The Group has an option to purchase up to 87.4% of the share capital of Cedex. Whilst at the year-end this option was valued as US$nil, at 30 June 2018 the Group had valued the option at US$9.5million. At the year end, management reconsidered the value of the option attributing a nil value thereto In this consideration of the amount, management make judgements in respect of the volatile and uncertain crypto market and the ability of Cedex to leverage its potential in uncertain market conditions.

(y) Technology Risk

The Group's operations are highly dependent on technology and advanced information systems. The Group's ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Group to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Group have business continuity procedures and policies in place which are designed to allow the Group to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

Where the Group is dependent upon providers of data, market information, telephone and internet connectivity, the Group mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilised. To remain competitive, the Group must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

In the blockchain segment, the Group's products are based on a new technology and therefore the new sector is exposed to a potentially technology risk.

(z) Compliance Risk

As the Group's activities expand into the blockchain-based digital assets solutions, offering new products and penetrating new markets, the regulatory demands will

inevitably increase. The increasing complexity of the Group's operations require training and recruitment to be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

Jurisdictions where there are currently no regulations, may introduce regulations to the trading solutions offered by "33options," as well as TechFinancials' online broker clients who trade in such markets, would need to comply with any such regulation if they are to continue trading.

This could result in additional costs to DragonFinancials Ltd and may reduce trading volumes and revenues from the online brokers affected.

While the Company ensure the licencees who operate in unregulated environments are responsible for applying all applicable laws, there is a risk that royalty income from these licencees' might derive from unknown sources.

4. Changes in account policies and disclosures

New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2018, as well as New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted:

Standard	Impact on initial application	Effective date
IFRS 16	Leases	*1 January 2019
Annual Improvements to IFRSs: 2014:2016 Cycle	Amendments to: IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates	1 January 2017 (IFRS 12)* / 1 January 2018 (IFRS 1 and IAS 28)
Annual Improvements	IFRS Standard 2014 - 2016 Cycle	1 January 2019

*Effective dates provided are the IASB effective dates. EU effective dates are yet to be confirmed.

Whilst the Directors do not anticipate the adoption of these standards and interpretation in future reporting periods will have a material impact on the Group's financial statements.

New standards implemented in the period

New and amended standards mandatory for the first time for the year beginning 1 January 2018

The following new IFRS standards and / or amendments are mandatory for the first time of the Company:

- IFRS 9 (Note 4.1) – Financial Instruments (effective 1 January 2018)
- IFRS 15 (Note 4.1) – Revenue (effective 1 January 2018)
- IFRS 2 (amendments) – Share based payments – classification and measurement (effective 1 January 2018)

- Annual Improvements 2014-2016 Cycle
- IFRIC Interpretation 22 – Foreign currency transactions and advanced consideration (effective 1 January 2018)

4.1 Disclosure of new standards Initially adopted in the period

Initial adoption of IFRS 15 (Amendments) - “Revenue from Contracts with Customers”:
The Group elected the modified retrospective adoption method upon initial application of IFRS 15.

The impact of the new standard has been assessed by management in connection with the recognition of advisory services. The adoption has not highlighted any material adjustments.

Initial adoption of IFRS 9 - “Financial Instruments”:

The Group elected the simplified approach method upon initial application of IFRS 9.
The impact of the new standard has been assessed by management in connection with the recognition of advisory services. The adoption of the has not highlighted any material adjustments.
The company has recognised a loss allowance for trade receivables of a subsidiary (Dragon Financials) in the amount of US$41 thousand (Note 24).

There was no impact of IFRS 9 adoption and the transition from IAS 39 in connection with the recognition of option value to acquire CEDEX group (Note 19) on the consolidated financial statements.

Overall, the Group has evaluated the impact of the new and amended standards above. The Directors believe that these new and amended standards, adopted in the current year and which will be adopted in future periods, are not expected to have a material impact on the Group’s results or shareholders’ funds, except the affect of IFRS 16 “Leases” as descrided below.

4.2 Disclosure of new standards in the period prior to their adoption

IFRS 16 “Leases”

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and may materially affect the accounting treatment applied by the Lessees. The new standart is changing the accounting treatment of leases according to the existing IAS 17, “Leases”.

According to IFRS 16, lesseesare are required to recognize in the statement of financial position an asset for the right to use the asset and a corresponding liability for the obligation to make future lease payments, except in certain cases which are listed below:

The new Standard includes two exceptions according to which lessees are permitted to elect to apply a method similar to the current accounting treatment for operating leases. These exceptions are leases for which the underlying asset is of low value and leases with a term of up to one year.

The Group intends to apply the new standart from 1 January 2019, using the exceptions noted above if relevant.

The Group estimates the overall effects of IFRS 16 initial adoption in 2019 Financial statements as follows:

- An increase in the Group's total assets and liabilities in the amount of approximately US$0.5 million, having no affet on the equity.
- A decrease in the Group's lease expenses by approximately US$0.3 million and an increase in depreciation expenses in the same amount and an immaterial increase of finance expenses.

5. Operating (loss)/profit included exceptional items

	Year ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Operating (loss)/profit from continuing operations	**(4,734)**	**1,106**

Profit from operations has been arrived at after charging the exceptional itmes below:

Depreciation	227	104
Amortisation of intangible assets	405	422
Research and development expenditure	3,478	2,916
Impairment of intangible assets	2,434	1,501
Auditor remuneration – audit of the Group accounts	92	79
Share option charge	44	78
Operating lease payment	381	494
Exceptional expenses	**7,061**	**5,594**

6. Assets held for Sale / Discontinued operations

During the year the Group announced its intention to dispose of subsidiary MarketFinancials Limited and initiated an active programme to locate a buyer. The associated assets and liabilities are consequently presented as held for sale within these financial statements.

The related financial information is set out below:

a) Results of discontinued operation

	Year ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Cost of sales	-	(262)
Expenses	(35)	(202)
Profit / (loss) before income tax	**(35)**	**(464)**
Income tax	-	-
Profit /(loss) after tax	**(35)**	**(464)**
Profit / (loss) from discontinued operations	**(35)**	**(464)**
Other comprehensive income / (loss) from	**(35)**	**(464)**

discontinued operations

b) Cash flows of discontinued operation

	Year ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Operating activities	3	(1,110)
Investing activities	-	-
Financing activities	(120)	(340)
Net cash from discontinued operations	**(117)**	**(1,450)**

c) Assets and liabilities of disposal discontinued operation

Assets classified as held for sale

	Year ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Cash and cash equivalents	-	117
Trade and other receivables	-	1,787
Total assets of discontinued operation	**-**	**1,904**
Liabilities classified as held for sale		
Trade and other payables	-	6
Total liabilities of discontinued operations	**-**	**6**

7. Intangible assets

	Project A	Project B	Project C	Project D	Project E	Computer Software	License	Goodwill*	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost									
At 1 January 2017	784	858	1,014	446	373	11	-	5,040	**8,526**
Additions	-	-	41	-	-	-	65	-	**106**
At 31 December 2017	**784**	**858**	**1,055**	**446**	**373**	**11**	**65**	**5,040**	**8,632**
Accumulated amortisation									
At 1 January 2017	314	342	-	-	21	6	-	-	**683**
Charge for the year	156	170	-	-	91	5	-	-	**422**
Impairment	-	-	1,055	446	-	-	-	-	**1,501**

At 31 December 2017	**470**	**512**	**1,055**	**446**	**112**	**11**	**-**	**-**	**2,606**
Net book value									
At 31 December 2017	**314**	**346**	**-**	**-**	**261**	**-**	**65**	**5,040**	**6,026**

Cost									
At 1 January 2018	784	858	1,055	446	373	11	65	5,040	**8,632**
Additions	-	-	-	-	-	-	25	-	**25**
At 31 December 2018	**784**	**858**	**1,055**	**446**	**373**	**11**	**90**	**5,040**	**8,657**
Accumulated amortisation									
At 1 January 2018	470	512	1,055	446	112	11	-	-	**2,606**
Charge for the year	157	174	-	-	74	-	-	-	**405**
Impairment	-	-	-	-	-	-	-	**2,434**	**2,434**
At 31 December 2018	**627**	**686**	**1,055**	**446**	**186**	**11**	**-**	**-** **2,606**	**5,445**
Net book value									
At 31 December 2018	**157**	**172**	**-**	**-**	**186**	**-**	**90**	**2,606**	**3,212**

* Goodwill arose on the acquisition of DragonFinancials, as detailed in Note 7.2 and Note 18.

7.1. Intangible assets – development expenditure

Project A – Forex trading solution.

Project B – Mobile and tablet native applications adjusted to different screen sizes.

Project C – Trading solution for the US market.

Project D – Trading solution for the Japanese market.

Project E – Trading solution for CFD.

Current estimates of useful economic live of intangible assets are as follows:

Development expenditure recognized as intangible assets	5 years
Goodwill	N/A
Computer software	3 years

The intangible assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, the recoverable amount of intangible assets is determined based on a value in use calculation using cash flows forecasts derived from the most recent financial

model information available.

The recoverable amounts of all the above have been determined from value in use calculations based on cash flows projections from formally approved budgets covering a five year period from the date on which it starts to carry value. The key assumptions used in these calculations include discount rates and turnover projections. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to expected future projects (Note 3(d)).

Major assumptions are as follows:

	2018					
	Project A	**Project B**	**Project C**	**Project D**	**Project E**	**Computer software**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Discount rate	15%	15%	N/A	N/A	15%	N/A

The Company covered all its expenses recognised as intangible assets for projects A and B during 2016.

As of 31 December 2017, the Board of Company decided that projects C and D are no longer recoverable and recognized an impairment in the amounts of US$1,055 thousand and US$446 thousand, respectively.

7.2 Intangible assets – Goodwill

Impairment of goodwill was assessed by comparing the unlevered free cash flow to the value of goodwill for the entity whose acquisition gave rise to the goodwill, DragonFinancials Ltd (Note 18).

Value-in-use calculations

The key assumptions used in management's value-in-use calculations are expected free cash flows, a discount rate and the growth rate for 5 years:

Profit assumptions

In estimating future cash flows, management has used adjusted revenues and profitability assumptions based on significantly reduced results of DragonFinancials from that achieved in 2018. This is based on an analysis of future operations in the Asia Pacific area and assumes no real growth between 2019 and 2023.

Discount rate assumptions

The Directors have applied a discount rate that reflects current market assessments of the time value of money and risk to the business.

The five-year free cash flow forecasts have been discounted at a discount rate of 10.0% per annum.

Growth rate assumptions

Free cash flows beyond the five-year period are not taken into account due to the limited

visibility of long term future trends in the market that the Company operates.

Sensitivity testing has been performed on the unlevered free cash flow model to estimate the effect of changes in the key assumptions. The Model indicated that an impairment provision is required against the carrying value of goodwill at 31 December 2018.

Accordingly, the Board has recognised an impairment charge of US$2.4 million in order to write-off goodwill associated with the acquisition of DragonFinancials in 2016.

8. Property and equipment

	Leasehold Improvement US$'000	Computers US$'000	Furniture US$'000	Total US$'000
As at 31 December 2017				
Cost				
At 1 January 2017	353	337	178	868
Additions	234	33	-	267
Disposal	-	(2)	-	(2)
At 31 December 2017	**587**	**368**	**178**	**1,133**
Accumulated depreciation				
At 1 January 2017	51	241	66	358
Charge for the year	42	50	12	104
At 31 December 2017	**93**	**291**	**78**	**462**
Net book value				
At 31 December 2017	**494**	**77**	**100**	**671**
As at 31 December 2018				
At 1 January 2018	587	368	178	1,133
Additions	25	3	-	27
Disposal	-	(1)	-	(1)
At 31 December 2018	**612**	**370**	**178**	**1,160**
Accumulated depreciation				
At 1 January 2018	93	291	78	462
Charge for the year	135	71	21	227
At 31 December 2018	**228**	**362**	**99**	**689**
Net book value				
At 31 December 2018	**384**	**8**	**79**	**471**

9. Other long term assets

	Year ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Long term deposits	51	90

	51	**90**

10. Trade and other receivables

	Note	Year ended 31 December 2018 US$'000	2017 US$'000
Trade receivables		842	328
Short term loan	19, 21	-	400
Prepayments		26	382
Amounts due from key managment		*-	-
Other receivables		394	480
Related party receivables in respect of trade	21	758	-
		2,020	**1,590**

* lower than a thousand USD

The carrying amounts of trade and other receivables approximate their fair values.

11. Restricted Bank Deposits

Restricted bank deposits represent cash held by the Group which cannot be used in the operations of the business. Restricted bank deposits are held to secure guarantees from the bank for lease and credit agreements.

12. Cash and cash equivalents

	Year ended 31 December 2018 US$'000	2017 US$'000
Cash at bank	1,712	3,382
	1,712	**3,382**

13. Trade and other payables

	Note	Year ended 31 December 2018 US$'000	2017 US$'000
Trade payables		552	684
Other payables		40	-
Short term loan from shareholders	21	-	92
Deposit held		244	255
Employees salaries related balance		349	360
Accrued liabilities		254	162
		1,440	**1,553**

14. Share capital

	As at 31 December	
	2018	2017
Authorised	**Number of Shares**	**Number of Shares**
The Company Ordinary share of US$0.0005	100,000,000	100,000,000
Authorised	**100,000,000**	**100,000,000**

	As at 31 December	
	2018	**2017**
Issued and fully paid	**US$'000**	**US$'000**
The Company Ordinary share of US$0.0005	**61**	**55**

Ordinary shares issued and fully paid	**US$'000**
At 1 January 2018	55
share based compensation exercise of options	6
At 31 December 2018	**61**

Share Capital - Amount subscribed for share at nominal value.

Share Premium - Amount subscribed for share capital in exercise of nominal value.

Share-based payment reserve - The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

This estimated fair value was calculated by applying a Black-Scholes option pricing model. In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore the Directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The expense and equity reserve arising from share based payment transactions recognised in the year ended 31 December 2017 and 2018 were US$78 thousand and US$44 thousand respectively.

In addition, the effect of lapsed options on the equity reserve and accumulated profits / losses in the year ended 31 December 2017 and 2018 were US$81 thousand and US$27 thousand, resulting in a net effect on equity reserve of US$(3) thousand in the year ended 31 December 2017 and US$ 15 thousand in the year ended 31 December 2018.

15. Share-based payment transactions (Group)

The Group runs two share-based payment arrangements ("2013 Plan") and ("2014 plan") which are summarised below.

Employee Stock Option Plan:

	Year ended 31 December 2017	
	Number of Options	Weighted Average Exercise Price (US$)
Balance at beginning of period	**2,059,060**	**0.151**
Granted	1,120,000	0.0915
Exercised during the period	(19,982)	-
Lapsed during the period	(774,780)	0.206
Balance at end of period	**2,384,298**	**0.1052**

	Year ended 31 December 2018	
	Number of Options	Weighted Average Exercise Price (US$)
Balance at beginning of period	**2,384,298**	**0.1052**
Granted	-	-
Exercised during the period	(63,306)	-
Lapsed during the period	(150,654)	0.186
Balance at end of period	**2,170,338**	**0.100**

There was no Share Option Plan on behalf of employees, employees and board members of the Group during 2018.

On 2 May 2018, Hillel Nissani, a former director of the Company exercised 22,500 options pursuant to the 2014 employee share option plan, to acquire 16,595 ordinary shares of US$0.0005 (“Ordinary Shares”) in the Company in consideration for the cancellation of the balance of 5,905 options.

On May 14 2018, a former employee of the Company exercised 40,616 options pursuant to the 2014 employee share option plan, to acquire 8,638 ordinary shares of US$0.0005 (“Ordinary Shares”) in the Company in consideration for the cancellation of the balance of 31,978 options.

16. Income tax expenses

	Years ended 31 December	
	2018	2017
	US$’000	US$’000
Current income tax	90	79
Deferred tax expenses (income)	(5)	32
	85	**111**

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense/(release) at the effective tax rate of the Group is as follows:

	Years ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
Profit (loss) before taxation	(4,990)	116
Profit multiplied by standard rate of EIT of 0%	-	-
Effect of different tax rates in different countries:		
Israeli tax rates 2017-2018: 24% -23%	90	79
Cyprus tax rates 2017-2018: 12.5%	-	-
Deferred tax rate	(5)	32
	85	**111**

17. Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares:

	Years ended 31 December	
	2018	**2017**
	US$'000	**US$'000**
(Loss) attributable to equity holders	(5,274)	(2,599)
Weighted average number of shares basic	80,533,560	72,542,484
Earnings per share basic (dollars)	(0.066)	(0.036)
Earnings per share from continuing operations - basic (dollars)	(0.065)	(0.029)
Earnings per share from discontinued operations - basic (dollars)	(0.001)	(0.007)
Weighted average number of shares diluted	80,981,546	73,242,484
Earnings per share diluted (dollars)	(0.066)	(0.036)
Earnings per share from continuing operations - diluted (dollars)	(0.065)	(0.029)
Earnings per share from discontinued operations - diluted (dollars)	(0.001)	(0.007)

The number of potentially dilutive share options are as disclosed in Note 15.

18. Business acquisition

On 20 October 2015, the Company entered into an agreement with the owners of Optionfortune Trade Limited, a company registered in Hong Kong ("Optionfortune owners") to operate a B2C a trading platform focused on the Asia Pacific region.

Under the terms of the agreement a new business entity, DragonFinancials Ltd, was incorporated, and is owned 51% by TechFinancials and 49% by Optionfortune owners.

On 1 January 2016 (the closing date) DragonFinancials started its trading platform activity.

Under the terms of the agreement on 22 March 2017, an amount of 3,868,615 TechFinancials shares, worth US$1.54 million, previously held in escrow, were transferred to the owners of Optionfortune.
Under the terms of the agreement on 10 May 2018, an additional amount of 12,406,352 TechFinancials shares worth of US$4.53 million, were transferred to the owners of Optionfortune.

During the years 2017 and 2018 DragonFinancials, the Company's 51% subsidiary, paid dividends of US$7.2 million and US$1.7 million respectively. The Company received in 2017 and 2018 US$3.672 million and US$0.867 million, respectively, representing its shareholdings in DragonFinancials.

The estimates of the fair value of the assets acquired based on management assumptions as of 1 January 2016 (the closing date):

Fair value of consideration:	**US$5.040 million**
Acquired:	
Assets:	
Account receivable	$0.2 million
Liabilities:	
Trade payable	($0.2 million)
Net Assets acquired	US$NIL
Goodwill	US$5.040 million

The Goodwill was reduced by US$2.4 million as of 31 December 2018 following an impairment assessment (see Note 7.2).
The consideration from this agreement amounts to US$5.040 million consisting of:

	Period ended 31 December 2017 **US$'000**
<u>Shares issued</u> - on 22 March 2017 an amount of 3,868,615 TechFinancials shares, worth of US$1.54 million	1,540
<u>Shares issued</u> - on 10 May 2018 an amount of 12,406,352 TechFinancials shares, worth of US$4.528.	4,528
<u>Total Consideration*</u>	**US$6.068 million**

* The difference of US$1.028 million (2017 - US$0.47 million) between the consideration and the Goodwill represents the PV as of 1 January 2016 (the closing date) discounted at 6% per annum over a period of two years.

The consideration of US$4.53 million was settled by the issue of 12,406,352 shares on 10 May 2018 to the owners of Optionfortune (non-controlling interest holders of TechFinancials) based on DragonFinancials' results for 2017.

19. CEDEX Group

On 22 October 2017 the Company and Saar Levi entered into a legally binding Heads of Terms followed by a definitive Master Agreement signed on 23 January 2018 in respect

of a to be incorporated group of companies which will operate under the name CEDEX ("CEDEX").

CEDEX Holdings Ltd. was incorporated on 30 November 2017 in Gibraltar, aiming to develop and operate a blockchain technology based online exchange for diamonds through subsidiaries located in different geographical jurisdictions with a long-term vision to turn the traditional diamond industry into a financial tradable asset.

In April 2018, CEDEX successfully completed the process of selling a total of 30.2 million digital coins (”CEDEX Coins”) by way of a Token Sale. In this connection, CEDEX sold and distributed to purchasers 41.6 million CEDEX coins in return for a substantial amount of Cryptocurrency (Bitcoin and Etherium) and Fiat.

On 20 September 2018, Cedex Holdings Ltd established in UK fully owned subsidiary called Cedex Trading UK Ltd.

In December 2018 Cedex Trading UK launched the Cedex blockchain online exchange for diamonds.

19.1 Loan to Cedex

Under the Heads of Terms which was followed by a definitive Loan Agreement signed on 23 January 2018, TechFinancials made an unsecured loan of US$0.4 million to the CEDEX group to develop its technology. The loan bears no interest. On 5 June 2018 CEDEX made a partial repayment of the loan on the amount of US$0.33 million. The balance of the loan is presented as a non-current loan (Note 21).

19.2 Investment in Cedex

On 25 December 2017 the Company signed a SPA with Cedex on which it committed to make an equity investment of US$200 thousand at a post-money valuation of US$10 million.
In April 2018 CEDEX issued TechFinancials 2% of its share capital.

19.3 Option to acquire Cedex

Under the Heads of Terms which was followed by a definitive Option Agreement signed on 23 January 2018, in consideration for providing this initial funding, CEDEX granted the Company an option to acquire 90% of CEDEX at an exercise price of US$62 thousand, which may be offset against any amount outstanding under the loan. Exercise of the option is at the sole discretion of TechFinancials and the option can be transferred, sold or disposed of as TechFinancials sees fit. The option period is for three years from the date of grant and may be exercised until October 22, 2020.

The shares issued to TechFinancials with the option to acquire a further 90%, would give TechFinancials a holding of up to 92% of CEDEX or 87.4% on a fully diluted basis.

As of 31 December 2017 the fair value of the option was US$8.9 million based on the Black-Scholes model. However, the option value had no impact on the financial statements in 2017 due to the deferred recognition in accordance with IAS 39. As the purchase price of the option was not significant and the fair value of the option could not be based on a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, therefore, the deferred value was to be recognized as a gain or loss, only to the extent that it arises from a change in a factor that market participants would take into account when pricing the

asset or liability, which for the Company was the Token Sale by CEDEX which completed in April 2018.

The Company initially recognised a gain of US$9.48 million in its interim financial statements to 30 June 2018 in respect of its option. This valuation took into account the successful Token Sale.

Since these interim financial statements were issued, the Crypto market place has been particularly volatile and valuations have been negatively impacted. As such, management believes that the fair value of the option is nil and the gain recognised in the first half of the year has been reversed in full. Accordingly, no gain has been recognised for the year as a whole, and the option has been carried at no value in the financial statements at 31 December 2018.

As committed in the Token Sale White Paper, the Cedex platform went live at the end of 2018, however in the second half of 2018, sentiment in the Crypto market gradually worsened and led to a substantial devaluation in the resources obtained by Cedex in the Token Sale which remained available for Cedex at the end of 2018. This factor and the adverse market sentiment towards Token Sale companies meant a much diminished proposition of trading on the Cedex exchange. As at the date of these financial statements, no significant transactions had been undertaken by traders.

The strategy of Cedex implemented at the end of 2018 is to cut back on its expenditure, and to use its available resources to keep the platform live. It is making only minor development changes to preserve its existing assets so as to allow an additional round of equity fund raising and/or a strategic partnership to continue its plans.

While the Company continues to provide services to Cedex and sees a value in this respect, based on the above and until there is an event in Cedex that changes a factor that market participants would take into account when pricing the asset, management believes that the fair value of the option can not be determined.

19.4 Services provided to Cedex

In addition to the above, the company signed with Cedex on 10 May 2018 a service agreement to provide technical development services on a fee-for-service basis to CEDEX to assist with the development of the trading platform, utilising the Company's knowledge and expertise. On 14 August 2018 the company granted a free-of-charge license to use its technology for the purpose of testing the Cedex exchange platform during the Beta period.

Receivables balances with CEDEX are further detailed (Note 21).

20. Operating lease commitments (Group)

As at each of the balance sheet dates, the future aggregated minimum lease payments under non-cancellable operating leases contracted for, but not recognised as liabilities, are as follows:

	As at 31 December	
	2018	**2017**
	US$'000	**US$'000**
Within one year	381	404*
After one year but before five years	191	1,293

	572	**1,697**

* This amount on 2017 included a commitment of US$35 thousand in respect of payments towards the offices vacated in order to upsize. These payments were terminated during 2018.

Operating lease payments represent rent payable.

In April 2015, TechFinancials Israel entered into a lease agreement to rent 1,410 square meters of office space at the Industrial Area of Herzliya to be used by the company's Israeli subsidiary. The original lease period was until 30 June 2017, with annual rental fees of US$0.49 million. Thereafter, the lease was renewed for an additional 3 years, until June 30 2020.

TechFinancials Israel has as option to renew the lease for an additional two years, until June 30 2022, bearing a price raise of 2.5 %. As of 31 December 2018, the management believes that the lease will not be renewed, therefore the option period is not included in the future commitments.

21. Related party balances and transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in these Financial Statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the period under review, in addition to those disclosed elsewhere in these Financial Statements, the following significant transactions took place at terms agreed between the parties:

21.1 Receivables balances with CEDEX

The amouts owed by CEDEX to the Company consist the following:

		As at 31 December	
		2018	**2017**
	Note	**US$'000**	**US$'000**
Current Loan Debit	10,19	-	400
Non - Current Loan Debit	19	68	-
Recievables Debit		-	241
Other Receivables Debit		758	127
		826	**768**

21.2 Receivables balances with Footies

As of 31 December 2018 the amount owed by Footies Tech Ltd ("Footies") to the Company consist of a non current loan in the amount of US$78 thousand.

On December 2018, the Copmany has signed a binding agreement with Footies, a Blockchain based ticketing venture for sports venues and teams, to establish a new company subsidiary ("NewCo"). The Company will hold 75% of the shares of NewCo, and Footies will hold the remaining 25% of the shares.

Under the Agreement, The Company will commit to support the financial needs of the NewCo with a cost cap of US$0.5 million for the development of a proof of concept by NewCo.
All costs borne by the Company and/or monies paid to NewCo shall be deemed to be a shareholder loan by The Company, that will bear no interest.

In addition to the costs described above, the Company will license its technological blockchain infrastructure, free-of-charge ,to NewCo Combining Footies' IP and data with the Comapny's proprietary technology, NewCo will develop and market a blockchain based ticketing solution and event economics management for sports venues and teams.

21.3 Payables to key management personnel

Balances with key management and/or shareholders employed by the Group are analysed as follows:

		As at 31 December	
		2018	**2017**
	Note	**US$'000**	**US$'000**
Non - Current Loan Credit	13	(92)	-
Current Loan Credit		-	(92)
Current Accounts Credit		1	-
Current Accounts Debit		-*	-

* lower than a thousand USD

The loans bear no interest and were, subject to certain conditions, repayable in three equal instalments, out of which two were paid during July 2016 and February 2017.

The compensation for key management and/or Shareholders' employed by the Group is analysed as follows, and is further broken down in Note 23:

	As at 31 December	
	2018	**2017**
	US$'000	**US$'000**
Salaries and other short-term employee benefits	779	715
Salaries and other long-term employee benefits	191	157
	970	**872**

22. Ultimate controlling party

The Company considers that there is no ultimate controlling party of the group.

23. Key management and directors remuneration (Group)

Details of the nature and amount of each element of the emoluments of each member of Key Management for the years ended 31 December 2017 and 31 December 2018 were as follows:

	31 December 2018	**Year ended 31 December**	
Key Management Personnel Name	**% of shareholdings**	**2018**	**2017**
		US$'000	**US$'000**
Eyal Rosenblum*	6.17%		
Wages and salaries		239	181
Post-employment benefits		27	21
Other long term benefits		23	20
		289	**222**

Yuval Tovias*	0.31%		
Wages and salaries		211	158
Post-employment benefits		23	19
Other long term benefits		20	18
Shared based compensation		5	22
		259	**217**
Eyal Alon*^	11.35%		
Wages and salaries		**30**	**50**

Details of the nature and amount of each element of the emoluments of the directors for the years ended 31 December 2017 and 31 December 2018 were as follows:

		Year ended 31 December	
Directors Personnel Name	**31 December 2018 % of shareholdings**	**2018 US$'000**	**2017 US$'000**
Asaf Lahav*+	10.77%		
Wages and salaries		244	192
Post-employment benefits		29	23
Other long term benefits		68	52
		341	**267**
Jeremy Lange* #	8.28%		
Wages and salaries		-	110
Post-employment benefits		-	-
Other long term benefits		-	3
		-	**113**
Christopher Bell**	0.21%		
Director's fee		**67**	**68**
Eitan Yanuv***	**-**		
Director's fee		**39**	**36**
Hillik Nissani****	-		
Director's fee		**6**	**36**
Total remuneration of the key management and directors of the Group		**1,031**	**1,009**

*On payroll.
^ Terminated his roll on August 2018.
+ Executive director and CEO of the group.
# Executive director and COO of the group, terminated his employment and directorship on July 2017.
**Payment received through Star Tea Ltd company being a Non-Executive chairman of the board.
*** Payment received through Implement Ltd company being a Non-Executive board director.
**** Payment received through CC Habaneros Ltd company being a Non-Executive board director, terminated his directorship on February 2018.

24. Financial risk management

The Group is exposed to credit risk, PSP collection risk, currency risk, liquidity risk, market risk, technology risk and compliance risk arising from the financial instruments it holds and the industry and regions it which it operates. The risk management policies employed by the Group to manage these risks are discussed below:

24.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and does not hold any collateral as security over its customers. The Group's major classes of financial assets are cash and bank balances, trade receivables, prepayments and amounts due from shareholders.

As at the end of each financial year, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated statements of financial position.
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the Group is as follows:

	As at 31 December	
	2018	**2017**
	US$'000	**US$'000**
Cash and cash equivalents	1,712	3,499
Restricted bank deposits	276	305
Trade receivables and others	2,020	3,039
	4,008	**6,843**

Cash and cash equivalents
As at 31 December 2018 and 2017, substantially all the cash and bank balances as detailed in Note 12 to the consolidated Financial Statements are held in financial institutions which are regulated and located in Israel, Cyprus, Singapore and England, which management believes are of high credit quality.

Management does not expect any losses arising from non-performance by these counterparties.

	As at 31 December	
	2018	**2017**
	US$'000	**US$'000**
A1	201	194
AA-	1,430	2,026
B1	-	67
Other	60	1,205
Caa3	22	7

	1,712	**3,499**

The Group has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Trade receivables that are past due

The Group's trade receivables including impairmaint recognized since 2018 are as follows:

	As at 31 December	
	2018	**2017**
	US$'000	**US$'000**
Current	207	2,092
31 – 60 days	162	10
61 – 90 days	163	5
91 to 120 days	351	3
	883	**2, 110**
Account receivable Impairment*	**(41)**	**-**
Total trade receivables	**841**	**2,110**

	2018
Bad debt provision	**US$'000**
At 1 January 2018	12
Bad debt recognised / (crossed) during the year	(12)
Account receivable Impairment*	41
At 31 December 2018	**41**

* The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.
On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) arose from trade receivables derived only from DragonFinancials, the Company's 51% subsidiary, and determined as follows:

		2018
		US$'000
Gross carrying amount for Impaired trade receivables		821
Expected loss rate	**5%**	
Loss allowance		**41**

24.2 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, GBP, Chinese Yuan, and the Israeli New Shekel. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The following sensitivity analysis shows the effects on net profit of a 5% and 10%

increase/decrease in exchange rates versus closing exchange rates at 31 December 2018 and 31 December 2017.

	2018		2018	
	+5% US$'000	-5% US$'000	+10% US$'000	-10% US$'000
Euro	37	(37)	73	73
GBP	4	(4)	8	(8)
Chinese Yuan	25	(25)	50	(50)
Israeli New Shekel	2	(2)	5	(5)

	2017		2017	
	+5% US$'000	-5% US$'000	+10% US$'000	-10% US$'000
Euro	26	(26)	52	(52)
GBP	3	(3)	5	(5)
Chinese Yuan	113	(113)	226	(226)
Israeli New Shekel	4	(4)	9	(9)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000
Euro	-	2	733	501
GBP	-	14	61	37
Chinese Yuan	3	384	1,655	1,879
Israeli New Shekel	601	459	646	550

24.3 Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of the on-going research and development programs and trade and other payables. Trade and other payables are all payable within 12 months.
The Board receives cash flow projections on a regular basis as well as information on cash balances.

24.4 Market Risk

The Group has exposure to market risk to the extent that it has open positions. The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each reporting date is therefore not considered representative of the market risk exposure faced by the Group over the year.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the capital return to shareholders or issue new shares. No changes were made in the objectives, policies or processes during each of the three years ended 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debts. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents. Equity includes equity attributable to the equity holders of the Group.

Trade and other payables

Group's trade payables and other payables that are not impaired are as follows:

	As at 31 December	
	2018	2017
	US$'000	US$'000
Current and 31 – 60 days	520	1,050
61 – 90 days	-*	-
91 to 120 days	32	509
	552	**1,559**

* Lower than a thousand USD

25. Segment Information

Business segment

IFRS 8 requires operation segments to be identified at the basis of internal report about component of the Group that are regularly reviewed by the Chief Financial Officer ("CFO"), and by the Board. For this purpose's the Group's primary format for reporting segment information is business segments, with each segment representing a product category on a stand-alone basis.

Geographical information has not been disclosed as it is not available and the cost to develop it would be excessive.

The segment information provided to management for the reportable segments for the year ended 31 December 2018 and 31 December 2017 is as follows:

Year ended 31 December 2018

	B2C Trading platform	B2B Licence income	License Services between segments*	Blockchain related technology (Note 19)	Total

	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue and result:					
Revenues	2,683	1,528	(268)	3,821	**7,764**
Cost of sales	(896)	(825)	268	(197)	**(1,650)**
Gross profit	**1,787**	**703**	-	**3,624**	**6,114**
Other income (expenses)	(41)	-	-	-	**(41)**
Research and development	-	(1,916)	-	(1,562)	**(3,478)**
Selling and marketing expenses	(727)	(258)	-	(411)	**(1,396)**
Administrative expenses	(905)	(2,270)	-	(358)	**(3,533)**
Finance income (expenses)	(114)	(108)	-	-	**(222)**
Profit (loss) before tax from recurring activities	-	**(3,849)**	-	**1,293**	**(2,556)**
Impairment of intangible assets	-	(2,434)	-	-	**(2,434)**
Profit (loss) before tax	-	**(6,283)**	-	**1,293**	**(4,990)**
EBITDA**	**261**	**(3,213)**	-	**1,293**	**(1,659)**
EBITDA attributed to shareholders**	**20**	**(3,213)**	-	**1,293**	**(1,901)**
Assets and liabilities:					
Assets	1,013	5,815	-	1,261	**8,089**
Assets held for sale	-	-	-	-	-
Liabilities	397	996	-	232	**1,625**
Held for sale liabilities	-	-	-	-	-
Depreciation and additions:					
Depreciation	147	80	-	-	**227**
Additions to property, plant and equipment	-	27	-	-	**27**

* License services represents intercompany charges between segments, allowing the performance assessment of each segment on standalone basis.
** Earnings before interest, tax, depreciation and amortisation and non-cash charges.

Revenues from the Group's top three customers in 2018 represent approximately 11% of the total revenues.

Year ended 31 December 2017

	B2C Trading platform	B2B Licence income	License Services between segments*	Blockchain related technology (Note 19)	Acquisition related cost (Note 18)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue and result:						

Revenues	8,864	5,142	(886)	242	-	**13,362**
Cost of sales	(2,601)	(1,239)	886	(216)	-	**(3,170)**
Gross profit	**6,263**	**3,903**	-	**26**	-	**10,192**
Other (income) expenses	-	-	-	-	-	-
Research and development	(192)	(2,724)	-	-	-	**(2,916)**
Selling and marketing expenses	(1,038)	(880)	-	-	-	**(1,918)**
Administrative expenses	(650)	(2,389)	-	-	-	**(3,039)**
Finance income (expenses)	(243)	11	-	-	(470)	**(702)**
Profit (loss) before tax from recurring activities	**4,140**	**(2,079)**	-	**26**	**(470)**	**1,617**
Impairment of intangible assets	-	(1,501)	-	-	-	**(1.501)**
Profit (loss) before tax	**4,140**	**(3,580)**	-	**26**	**(470)**	**116**
EBITDA**	**4,383**	**(1,480)**	-	**26**	-	**2,929**
EBITDA attributed to shareholders	**1,781**	**(1,480)**	-	**26**	-	**327**
Assets and liabilities:						
Assets	515	10,785	-	764	-	**12,064**
Assets held for sale	1,904	-	-	-	-	**1,904**
Liabilities	769	5,332	-	58	-	**6,159**
Held for sale liabiltiies	6	-	-	-	-	**6**
Depreciation and additions:						
Depreciation	11	93	-	-	-	**104**
Additions to property, plant and equipment	117	150	-	-	-	**267**

* License services represents intercompany charges between segments, allowing the performance assessment of each segment on standalone basis.
** Earnings before interest, tax, depreciation and amortisation and non-cash charges

Revenues from the Group's top three customers in 2017 represent approximately 20% of the total revenues.

26. Commitments

Pursuant an agreement signed on the Company is commited to support the financial needs of the Footies Ltd. with a cost cap of US$0.5 million.

As of 31 December2018, the Company has loaned to Footies out of the commited amount a total of US$78 thousand (Note 21).

27. Contingencies

The Company's Israeli subsidiary has recently undergone a tax audit for the years 2014-2016. No provision in relation to this matter has been recognised in the Financial Statements based on legal advice which indicates that it is not probable, at this stage, that a significant liability will arise.

28. Guarantees and liens

Guarantees totalling US$210 thousand have been given by TechFinancials Israel's bank to the landlord in relation to their offices.

This subsidiary has also pledged all its rights to receive funds from a bank, in respect of its deposits in the bank, including the yield from these deposits, in a total amount of US$200 thousand to secure the guarantees described above.

In addition, TechFinancials Israel and Softbox deposits which are held in the bank, in order to secure a credit facility for credit cards, payments and a Forex credit line, are in a total amount of US$71 thousand.

29. Subsequent events

In January 2019, the Company entered into legally binding, conditional Share Purchase Agreement with Proverial Ltd, a Cyprus incorporated company, to sell its entire shareholding in MarketFinancials. The total consideration for this subsidiary, which the Company no longer considers to be core to its future business strategy, will be EURO 100 thousand, subject to any closing balance sheet adjustments. MarketFinancials has not traded since the end of February 2018.

On 7 February 2019, following the agreement signed with Footies Tech Ltd on December 2018 to establish a new company subsidiary ("NewCo"), the Company and Footies Tech Ltd have established Footies Ltd in UK, held 25% and 75% respectively.