

# **Boxhill Technologies Plc**

Annual report and financial statements

Registered number 04458947

31 January 2017

## Company Information

|   |  |
|---|--|
| <b>DIRECTORS</b>                        | Lord E T Razzall<br>A J A Flitcroft<br>P I Jackson (resigned 20 May 2016)<br>C M Hyman (appointed 20 May 2016)<br>A Rudolf (appointed 20 May 2016) |
| <b>SECRETARY</b>                        | A J A Flitcroft  |
| <b>COMPANY NUMBER</b>                   | 04458947   |
| <b>REGISTERED OFFICE</b>                | 39 St James Street<br>London<br>SW1A 1JD   |
| <b>NOMINATED ADVISER AND<br/>BROKER</b> | Allenby Capital Limited<br>3 St Helens Place<br>London<br>EC3A 6AB   |
| <b>AUDITOR</b>                          | KPMG LLP<br>15 Canada Square<br>London<br>E14 5GL  |
| <b>REGISTRAR</b>                        | SLC Registrars Limited<br>42-46 High Street<br>Esher<br>Surrey<br>KT10 9QY   |
| <b>PRINCIPAL BANKER</b>                 | Lloyds TSB Bank PLC<br>134 High Street<br>Stourbridge<br>West Midlands<br>DY8 1DS  |

## Contents

|   |    |
|---|----|
| Strategic report  | 1  |
| Directors' report   | 5  |
| Statement of directors' responsibilities in respect of the annual report and the financial statements | 8  |
| Independent auditor's report to the members of Boxhill Technologies Plc                               | 10 |
| Consolidated Statement of Profit and Loss and Other Comprehensive Income                              | 12 |
| Consolidated Balance Sheet  | 13 |
| Consolidated Statement of Changes in Equity   | 14 |
| Consolidated Cash Flow Statement  | 15 |
| Notes   | 16 |
| Company Balance Sheet   | 46 |
| Company Statement of Changes in Equity  | 47 |
| Notes   | 48 |

## Strategic report

The Directors present their Strategic Report on the Group for the 12 months ended 31 January 2017.

### Operating and Financial Review

The principal activities of Boxhill Technologies PLC are that of lottery administrators and the provision of payment processing products and services.

The Group's focus continues to be the development of the payment technologies and services business and despite the market changes which have slightly delayed planned growth the Group has continued to run its core business operations profitably. Looking forward the Group will see continued realisation of the benefits the Emex acquisitions are bringing, particularly in credit card and alternative (non-card) based payment services. Our range of card and non-card services, which are global, mean that we provide the mechanisms to manage the acceptance, payment and distribution of money for many types of individuals and companies, including our traditional base of gaming, FX and e-commerce companies.

It is well recognised that the growth of electronic transactions is continuing. Boxhill's payment processing capabilities enable merchants to accept traditional and alternative payment methods. Our digital wallet accounts for businesses and individuals will soon have unique virtual IBANs making them instantly more flexible and easier to use. We already offer instant peer to peer transactions, access to foreign and crypto currency exchanges, worldwide wire payments and other transaction methods allowing businesses and individuals to securely pay before, during or after using a service or purchasing a product.

### Financial Summary

For the full year to 31 January 2017 the Group achieved a profit after tax of £2,000 compared to a loss after tax of £1,000 for the 18 months to 31 January 2016.

In summary, for the year to 31 January 2017 the Group performance was as follows (the comparatives are for the 18 month period to 31 January 2016):

|                  |                                      |
|------------------|--------------------------------------|
| Revenue          | <b>£1,727,000 (2016: £3,286,000)</b> |
| Gross Profit     | <b>£1,165,000 (2016: £2,423,000)</b> |
| Operating profit | <b>£12,000 (2016: 970,000)</b>       |
| Profit after tax | <b>£2,000 (2016: Loss of £1,000)</b> |

During the year to 31 January 2017 trade and other receivables increased by £1,028,000; with trade and other payables also increasing by £1,535,000; together these were the major drivers of the increase in bank and cash balances as at 31 January 2017 to £818,000 (2016: £291,000). Additionally during the year the £1,600,000 of loan stock which was issued on 31 January 2016 for the acquisition of Emex (UK) Group Limited and Freepaymaster Limited (now Emex Technologies Limited), converted into 400,000,000 Ordinary Shares on 7 June 2016. Together this has resulted in an increase in net current assets at 31 January 2017 to £478,000 (2016: net current liabilities of £1,142,000) and net assets increasing to £2,499,000 (2016: £959,000).

Although the operating profit for the year of £12,000 was significantly less than the prior year (2016: £970,000) the cash generated from operations in the year increased to £546,000 (2016: £344,000). This along with nil cash utilised on financing activities saw an improvement in cash balances held as at 31 January 2017 to £818,000 (2016: £291,000).

As can be seen in note 3, both the Lottery business and Payment processing businesses made a profit during the year to 31 January 2017 (£46,000 and £337,000 respectively, offset largely by unallocated costs of £381,000).

During the 18 months to 31 January 2016, the Lottery business and Payment processing businesses made a profit of £30,000 and £787,000 respectively, offset by a loss in Soccerdome of £360,000 and unallocated costs of £458,000.

In February of 2017 we announced that there had been some changes made by the card schemes which gave us the opportunity to enhance and develop some of our services – we now have a regionalised structure better suited to

meet the requirements of the card schemes. We have begun to see the return of growth in the card based payment services and expect fees generated from card processing to be a significant contributor to the Group's results in the second half of FY2018.

The lottery business remains steady, and has seen improvements in its sales and marketing functions and we expect to see improvements in new sales in new lines across many of its customers as a result.

### ***Operational Summary***

The Board has again demonstrated its commitment to delivering profitable services. The Group has seen the contributions made by Emex and also concluded the acquisition of Timegrand Limited in April 2017. Timegrand's reporting and analysis capabilities will help streamline some of our backend processes, therefore improving customer service. The enlarged Group can now ensure it is able to take advantage of its continuing increased capability and functionality, with improvements to customer delivery and administration.

Prize Provision Services Limited, which operates The Weather Lottery, has performed in line with expectations and continues to play an important role in raising funds for hundreds of small charities and non-profit organisations. The Weather Lottery is unique in its support for local and small charities. The opportunity remains to support good causes, especially local sport at grass roots, a gap created and which still remains when the National Lottery announced it will only support sports at an elite level.

### ***Outlook***

The payments division has dealt with the changes in the card payment market and has seen an increase in the number of individuals and companies opening digital wallet accounts to take advantage of the full range of alternative payment methods offered. We continue to work with channel sales partners to broaden our reach. We now provide a complete set of traditional and alternative payment services to businesses and individuals. By adding improved reporting and administrative services we are ensuring that all the elements for driving growth are in place.

The Board's focus on prudent management of costs has seen a break-even year. The year ahead sees the challenge of delivering shareholder value through the growth in the payments business which will be aided by the planned appointment of a new chief executive in the near future.

### **Financial key performance indicators ("KPI's")**

KPIs provide an illustration of management's ability to successfully deliver against the Group's strategic objectives. The Board periodically reviews the KPIs of the Group taking into account the strategic objectives and the challenges facing implementation of such. The measures reflect the Group's development focused strategy, the importance of a positive cash position and our underlying commitment to ensuring safe operations. These KPI's can be categorised into operational and financial. These include, but are not limited to:

- Revenue
- Gross profit
- Operating profit
- Profit after taxation

The Group Board review these indicators at least once a month. Explanations are sought and given for any material variances and the management are required to provide plans to resolve any performance failures as they occur during the year.

### **Principal risks and uncertainties facing the Group**

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance, and the Group takes a positive approach to risk management.

### ***Management and employees***

The nature of the Group and its business model creates reliance upon retaining and incentivising its senior management and certain key employees, whose expertise will be important to the fortunes of the Group going

forward. The Directors have endeavoured to ensure that the principal members of its management team are suitably incentivised, but the retention of such staff cannot be guaranteed.

The Group may need to recruit additional senior management and other staff in order to further develop its business. There can be no guarantee that such individuals will be recruited in the Group's preferred timetable or at the cost levels anticipated by the Group. Competition for staff is strong and therefore the Group may find it difficult to retain key management and staff. The loss of key personnel and the inability to recruit further key personnel could have a material adverse effect on the future of the Group through the impairment of the day-to-day running of the businesses and the inability to maintain existing client relationships.

#### *Economic risk*

Demand for the Group's services may be significantly affected by the general level of economic activity and economic conditions in the regions and sectors in which the Group operates. Therefore, a continuation of the challenging economic environment, especially in regions or sectors where the Group's operations are focused, could have a material adverse effect on the Group's business and financial results.

#### *Financial Risk*

The Group's financial risk management strategy is based on sound economic objectives and corporate practices. The main financial risks concern the availability of funds to meet obligations as they arise (liquidity risk) and fluctuations in exchange rates (exchange rate risk).

#### *Competition*

The Group is engaged in business activities where there are a number of competitors. Many of these competitors are larger than the relevant businesses carried on by the Group and have access to greater funds than the Group, which will potentially enable them to gain market share at the expense of the Group.

#### *Acquisitions*

The Directors cannot discount circumstances where an acquisition would support the Group's business strategy. However, there is no guarantee that the Group will successfully be able to identify, attract and complete suitable acquisitions or that the acquired business will perform in line with expectations.

#### *Funding and working capital*

Maintaining a sufficient level of working capital is essential to enable the Group to meet its foreseeable obligations and achieve its strategy. Failure to manage working capital or to collect receivables such as amounts due from Phillite D UK Limited of £1,767,536 in a timely manner could impact upon the ability of the Group to grow.

#### *Management of growth*

The ability of the Group to implement its strategy in an expanding market requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management, operational, financial and personnel resources. The Group's future growth and prospects will, therefore, depend on its ability to manage the growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

#### *Market developments*

Any failure to expand the Group's service offering in response to customer demand and/or industry developments may have an adverse effect on the Group's financial performance and prospects.

#### *Reliance on Partners*

Much of the Group's business is dependent on partners (acquiring banks, charities, clubs, etc.). Changes in key relationships with those partners, change of strategic direction by partner organisations, changes in the viability of partner-owned technology, economic and other business circumstances could all have an adverse effect on the financial performance of the Group.

#### *Legal and regulatory matters*

The Group is subject to a considerable degree of regulation and legislation. Changes in or extensions of laws and regulations affecting the industry in which the Group operates (or those in which its customers operate) and the rules

of industry organisations could restrict or complicate the Group's business activities, with the potential to increase compliance/legal costs significantly.

In addition, there is an ongoing legal action with Eupay Group Limited. On the basis of cost awards made by the courts, the Directors are confident that legal expenses of £138,000 incurred by Boxhill Technologies Plc thus far will be recoverable from Eupay Group Limited and so have recorded these amounts as a receivable rather than expensing these costs in the year.

By order of the board.

**A J Flitcroft**  
*Director*

7 July 2017

**Lord E T Razzall**  
*Chairman*

7 July 2017

## Directors' report

The Directors present their Report and Financial Statements for the year ended 31 January 2017.

### Principal activities

The principal activity of the Company is that of a holding company.

The principal activities of the Group in the year to 31 January 2017 was that of lottery administrators and the provision of payment processing products and services.

### Financial risk management

The Group's financial risk management policies are disclosed in the accounting policies and note 24 within the financial statements.

### Research and development

The group is committed to research and development activities principally in relation to process improvements surrounding card payment services. Internal development during the year was complemented by the post year end acquisition of Timegrand, whose reporting and analytics will help streamline processes and improve customer service.

### Financial instruments

Details of the group's financial risk management policies and objectives in respect of its use of financial instruments are included in Note 24 to the financial statements together with a description of its exposure, including to market risk, credit risk, liquidity risk and capital risk of the Group arising from such financial instruments.

### Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 31 January 2017 (18 months to 31 January 2016: £nil).

### Directors

The directors who held office during the year were as follows:

Lord E T Razzall

A J A Flitcroft

P I Jackson (resigned 20 May 2016)

On 20 May 2016 C M Hyman and A Rudolf were appointed to the Board of Directors.

### Directors' interests in shares and warrants

The Directors who held office during the year ended 31 January 2017 had the following interests in the shares of the Company, including family interests:

|                  | Ordinary shares of 0.1p each |                           |
|------------------|------------------------------|---------------------------|
|                  | <i>At 31 January 2017</i>    | <i>At 31 January 2016</i> |
| Lord E T Razzall | 62,965,986                   | 62,965,986                |
| A J A Flitcroft  | 25,674,408                   | 25,674,408                |



The following share options had been issued to the Directors of the Group, but have now lapsed:

|                  | <i>Number</i> | <i>Exercise price</i> | <i>Exercise period</i>    |
|------------------|---------------|-----------------------|---------------------------|
| Lord E T Razzall | 3,200,000     | 0.75p – 1.25p         | 8 June 2010 – 2 June 2017 |

Further details of these options are given in note 26 to the Financial Statements.

### Directors' remuneration

In accordance with AIM Rule 19, the remuneration of the Directors, who served during the year is detailed below:

|                  | <i>Salary, fees &amp;<br/>benefits in kind</i> | <i>Bonus</i> | <i>Pension<br/>contributions</i> | <i>Total</i> |
|------------------|--|--------------|----------------------------------|--------------|
|                  | £'000  | £'000        | £'000                            | £'000        |
| Lord E T Razzall | 24   | -            | -                                | 24           |
| A J A Flitcroft  | 33   | -            | -                                | 33           |
| P I Jackson      | 30   | -            | -                                | 30           |
| C M Hyman        | 14   | -            | -                                | 14           |
| A Rudolf         | 14   | -            | -                                | 14           |

### Substantial shareholdings

As at 31 January 2017 the Group has been notified of the following substantial holdings (3% or more) of ordinary 0.1p shares:

|                          | <i>Percentage holding</i> | <i>No. of shares</i> |
|--------------------------|---------------------------|----------------------|
| Management Express Ltd** | 12.75%                    | 236,656,580          |
| Lord E T Razzall         | 3.4%                      | 62,965,986           |

Since the period end and to the date of approval of this report, there have been movements in the substantial holdings - as at 30 June 2017 the company had been notified of the following substantial holdings (3% or more) of ordinary 0.1p shares:

|                              | <i>Percentage holding</i> | <i>No. of shares</i> |
|------------------------------|---------------------------|----------------------|
| Empire Global Management Ltd | 21.2%                     | 500,000,000          |
| Management Express Ltd**     | 10.1%                     | 236,656,580          |

\*\* Management Express Ltd is beneficially owned by James Rose, a director of Prize Provision Services Limited, a wholly owned subsidiary of the Company.

No other person has notified an interest in the ordinary shares of the Company as required to be disclosed to the Company.

### Capital structure

Details of the issued share capital are shown in note 21. There are no special restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restriction on the transfer of securities or on voting rights. No one has any special rights of control over the Company's share capital and all issued shares are fully paid.

## **Donations**

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during either the year to 31 January 2017 or the 18 months to 31 January 2016.

## **Creditor payment policy and practice**

It is the Group's policy to establish terms of payments with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are aware of these terms of payment and to abide by them. At 31 January 2017, the Group had an average of 80 days (2016: 111 days) of purchases outstanding in trade creditors.

## **Going concern**

UK Company Law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. Throughout the financial statements there are various disclosures relating to Group funding and operational risks. The Directors' report summarises the key themes.

The Group does have some exposure to current economic conditions which have the potential to impact annual revenues. The Directors are confident that the Group has sufficient resources and support to ensure that the profit and cash generation derived from future trading are sufficient to meet the Group's future requirements. As a result of these reviews, the Directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

## **Environment policies**

The Group is always seeking ways to minimise its consumption of resources and to protect the environment.

## **Employee policies**

The Group places considerable value on the involvement of the employees and keeps them informed on matters affecting them as employees and on relevant matters affecting the performance of the Group.

The Group's employment policies include a commitment to equal opportunities regardless of sex, age, race, sexual orientation or ethnic origin.

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, bearing in mind the respective aptitudes of the applicants concerned. In the event of staff becoming disabled every effort would be made to ensure their continued employment within the Group and to provide specialised training where appropriate.

## **Information to shareholders**

The Group has its own website ([www.boxhillplc.com](http://www.boxhillplc.com)) for the purposes of improving information flow to shareholders as well as potential investors.

## **Corporate governance**

The Group intends to continue with measures previously put in place to ensure that it complies with the Corporate Governance Code in so far as the Directors consider it to be practicable and appropriate for a public company of its size and nature.

The Group has in place both an Audit Committee and a Remuneration Committee. The Audit Committee has primary responsibility for monitoring the quality of internal control and ensuring the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to its accounting and internal controls. In all cases due regard is given to the interests of the shareholders. The Remuneration Committee determines the terms and conditions of service of the executive Directors, including their remuneration and grant of options. The Audit Committee consists of Mr Hyman (Chair) and Mr Rudolf. The

Remuneration Committee consists of Mr Rudolf (Chair) and Lord Razzall. The Group also has an AIM Committee, consisting of Lord Razzall (Chair) and Mr Hyman.

The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Group's applicable employees. In line with the AIM rules for Companies, the Group has adopted an AIM rules compliance policy setting out the procedures to be followed in order that the Company will fully comply with the AIM Rules for Companies.

### **Relations with shareholders**

The Chairman is the Group's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, private investors are given the opportunity to question the Board.

### **Internal control**

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and so can be dealt with appropriately.

### **Statement of Directors' responsibilities in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

**Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report beginning on page 1.

**Auditor**

During the year the Company ran a competitive tender process and KPMG LLP was appointed as auditor. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**A J A Flitcroft**  
*Director*

7 July 2017

*39 St James's Street*  
*London*  
*SW1A 1JD*

## **Independent auditor's report to the members of Boxhill Technologies Plc**

We have audited the financial statements of Boxhill Technologies Plc for the year ended 31 January 2017 set out on pages 12 to 53. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

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

**Simon Richardson (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London,

E14 5GL

7 July 2017

## Consolidated Statement of Profit and Loss and Other Comprehensive Income

*for year ended 31 January 2017*

|  | <i>Note</i> | <b>2017</b><br><b>£000</b> | <b>2016*</b><br><b>£000</b> |
|--|-------------|----------------------------|-----------------------------|
| <b>Revenue</b>   | 4           | <b>1,727</b>               | <b>3,286</b>                |
| Cost of sales  | 5           | (562)                      | (863)                       |
|  |             | <hr/>                      | <hr/>                       |
| <b>Gross profit</b>  |             | <b>1,165</b>               | <b>2,423</b>                |
| Administrative expenses  | 5,6,7       | (1,153)                    | (1,453)                     |
|  |             | <hr/>                      | <hr/>                       |
| <b>Operating profit</b>  |             | <b>12</b>                  | <b>970</b>                  |
| Financial income   | 8           | -                          | 6                           |
| Financial expenses   | 8           | (10)                       | -                           |
| Loss on disposal of Leasehold, Land & Buildings                              |             | -                          | (342)                       |
| Loss on sale of subsidiary   |             | -                          | (430)                       |
|  |             | <hr/>                      | <hr/>                       |
| <b>Profit before tax</b>   |             | <b>2</b>                   | <b>204</b>                  |
| Taxation   | 9           | -                          | (205)                       |
|  |             | <hr/>                      | <hr/>                       |
| <b>Profit/(Loss) for the year from continuing operations</b>                 |             | <b>2</b>                   | <b>(1)</b>                  |
|  |             | <hr/>                      | <hr/>                       |
| <b>Other comprehensive (loss)/income</b>                                     |             |                            |                             |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> |             |                            |                             |
| Revaluation of equity investment   |             | (62)                       | 342                         |
|  |             | <hr/>                      | <hr/>                       |
| <b>Other Comprehensive (loss)/income for the year, net of income tax</b>     |             | <b>(62)</b>                | <b>342</b>                  |
|  |             | <hr/>                      | <hr/>                       |
| <b>Total comprehensive (loss)/income for the year</b>                        |             | <b>(60)</b>                | <b>341</b>                  |
|  |             | <hr/>                      | <hr/>                       |
| <b>Earnings per share</b>  |             |                            |                             |
| Basic earnings per ordinary share  | 10          | 0.00                       | (0.00)                      |
| Diluted earnings per ordinary share  | 10          | 0.00                       | (0.00)                      |
|  |             | <hr/>                      | <hr/>                       |

*\*18 months to January 2016*

All of the profit/(loss) for the period is attributable to equity holders of the Parent Company.

The notes on pages 16 to 53 form part of these financial statements.

## Consolidated Balance Sheet

*At 31 January 2017*

|  | <i>Note</i> | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| <b>Non-current assets</b>  |             |                            |                            |
| Property, plant and equipment                                    | <i>11</i>   | 1                          | 1                          |
| Goodwill   | <i>13</i>   | 1,673                      | 1,673                      |
| Other intangible assets  | <i>12</i>   | 67                         | 85                         |
| Investments in equity instruments                                | <i>14</i>   | 280                        | 342                        |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total non-current assets</b>                                  |             | <b>2,021</b>               | <b>2,101</b>               |
|  |             | <hr/>                      | <hr/>                      |
| <b>Current assets</b>  |             |                            |                            |
| Trade and other receivables                                      | <i>16</i>   | 1,949                      | 921                        |
| Cash and cash equivalents  | <i>17</i>   | 818                        | 291                        |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total current assets</b>                                      |             | <b>2,767</b>               | <b>1,212</b>               |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total assets</b>  |             | <b>4,788</b>               | <b>3,313</b>               |
|  |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Current liabilities</b>                                       |             |                            |                            |
| Trade and other payables   | <i>19</i>   | 2,283                      | 748                        |
| Bank and other borrowings  | <i>18</i>   | 6                          | 6                          |
| Convertible loan stock   |             | -                          | 1,600                      |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total current liabilities</b>                                 |             | <b>2,289</b>               | <b>2,354</b>               |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total liabilities</b>   |             | <b>2,289</b>               | <b>2,354</b>               |
|  |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Net assets</b>  |             | <b>2,499</b>               | <b>959</b>                 |
|  |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Equity attributable to equity holders of the parent</b>       |             |                            |                            |
| Share capital  | <i>21</i>   | 1,856                      | 1,456                      |
| Share premium  | <i>22</i>   | 3,020                      | 1,820                      |
| Revaluation reserves   | <i>14</i>   | 280                        | 342                        |
| Retained earnings  | <i>14</i>   | (2,657)                    | (2,659)                    |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total equity attributable to equity holders of the Parent</b> |             | <b>2,499</b>               | <b>959</b>                 |
|  |             | <hr/> <hr/>                | <hr/> <hr/>                |

These financial statements were approved by the board of directors on 7 July 2017.  
and were signed on its behalf by:

**A J A Flitcroft**  
*Director*

Company registered number: 04458947

The notes on pages 16 to 53 form part of these financial statements.



## Consolidated Statement of Changes in Equity

|                                   | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Revaluation<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>equity<br>£000 |
|-----------------------------------|--------------------------|--------------------------|--------------------------------|------------------------------|-------------------------|
| <b>Balance at 31 July 2014</b>    | <b>1,427</b>             | <b>1,723</b>             | -                              | <b>(2,658)</b>               | <b>492</b>              |
| Issue of share capital            | 29                       | 15                       | -                              | -                            | 44                      |
| Revaluation gain                  | -                        | -                        | 342                            | -                            | 342                     |
| Profit on treasury shares         | -                        | 82                       | -                              | -                            | 82                      |
| (Loss) for the period             | -                        | -                        | -                              | (1)                          | (1)                     |
| <b>Balance at 31 January 2016</b> | <b>1,456</b>             | <b>1,820</b>             | <b>342</b>                     | <b>(2,659)</b>               | <b>959</b>              |
| Issue of share capital            | 400                      | 1,200                    | -                              | -                            | 1,600                   |
| Profit for the period             | -                        | -                        | -                              | 2                            | 2                       |
| Revaluation loss                  | -                        | -                        | (62)                           | -                            | (62)                    |
| <b>Balance at 31 January 2017</b> | <b>1,856</b>             | <b>3,020</b>             | <b>280</b>                     | <b>(2,657)</b>               | <b>2,499</b>            |

The notes on pages 16 to 53 form part of these financial statements.

## Consolidated Cash Flow Statement for year ended 31 January 2017

|  | <i>Note</i>  | <b>2017</b><br><b>£000</b> | <b>2016*</b><br><b>£000</b> |
|--|--------------|----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                |              |                            |                             |
| <b>Profit for the year</b>                                 |              | <b>2</b>                   | <b>(1)</b>                  |
| <i>Adjustments for:</i>                                    |              |                            |                             |
| Depreciation, amortisation and impairment                  | <i>11-14</i> | 26                         | 36                          |
| Financial income   | 8            | -                          | (6)                         |
| Financial expense  | 8            | 10                         | -                           |
| Loss on disposal in subsidiary                             |              | -                          | 430                         |
| Loss on disposal of Leasehold Land & Buildings             | <i>14</i>    | -                          | 342                         |
| Tax charge   |              | -                          | 205                         |
| <br><i>Movement in working capital:</i>                    |              |                            |                             |
| (Increase)/decrease in trade and other receivables         |              | (1,028)                    | (972)                       |
| (Decrease)/increase in trade and other payables            |              | 1,536                      | 310                         |
|  |              | <hr/>                      | <hr/>                       |
| <b>Cash generated by operations</b>                        |              | <b>546</b>                 | <b>344</b>                  |
|  |              | <hr/>                      | <hr/>                       |
| Interest received/(paid)                                   |              | (10)                       | 6                           |
| Tax paid   |              | -                          | (205)                       |
|  |              | <hr/>                      | <hr/>                       |
| <b>Net cash from operating activities</b>                  |              | <b>536</b>                 | <b>145</b>                  |
|  |              | <hr/>                      | <hr/>                       |
| <b>Cash flows from investing activities:</b>               |              |                            |                             |
| Payment for fixed/intangible assets                        |              | (9)                        | (10)                        |
| Net cash inflow on acquisition of subsidiary               |              | -                          | 80                          |
| Purchases of property, plant and equipment                 |              | -                          | -                           |
|  |              | <hr/>                      | <hr/>                       |
| <b>Net cash (used/generated from) investing activities</b> |              | <b>(9)</b>                 | <b>70</b>                   |
|  |              | <hr/>                      | <hr/>                       |
| <b>Cash flows from financing activities</b>                |              |                            |                             |
| Proceeds from issue of equity instruments of the Company   |              | -                          | 44                          |
| Proceeds from sale of treasury shares                      |              | -                          | 257                         |
| Proceeds from borrowings                                   |              | -                          | -                           |
| Repayment of borrowings                                    |              | -                          | (483)                       |
|  |              | <hr/>                      | <hr/>                       |
| <b>Net cash used in financing activities</b>               |              | <b>-</b>                   | <b>(182)</b>                |
|  |              | <hr/>                      | <hr/>                       |
| <b>Net increase in cash and cash equivalents</b>           |              | <b>527</b>                 | <b>33</b>                   |
|  |              | <hr/>                      | <hr/>                       |
| Cash and cash equivalents at start of period               |              | 291                        | 258                         |
| Cash and cash equivalents at end of period                 |              | 818                        | 291                         |

*\*18 months to January 2016*

There is no material difference between the fair value and the book value of cash and cash equivalents.

The notes on pages 16 to 53 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Boxhill Technologies PLC is a public company incorporated, domiciled and registered in the UK under the Companies Act 2006. The registered number is 04458947 and the registered address is 39 St James's Street, London, SW1A 1JD.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 102; these are presented on pages 46 to 53.

The financial statements, upon which this financial information is based, have been prepared under the historical cost basis except where specifically noted.

Operating profit is defined to be revenue less cost of sales and administrative expenses and so excludes losses on disposal of subsidiaries or leasehold land and buildings.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

#### 1.1 *Change in accounting policy*

There have been no changes in accounting policies during the year to 31 January 2017.

#### 1.2 *Adopted IFRS not yet applied*

The following standards that are not yet effective will be adopted by the Group in future periods:

##### *IFRS 9 - 'Financial instruments'*

The standard is effective for reporting periods beginning on or after 1 January 2018. The expected date of adoption by the Group will be 1 February 2018.

IFRS 9 includes new classification of financial assets and liabilities as either measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through Profit or loss (FVTPL).

The assessment of IFRS 9's impact on the Group's financial statements is not yet complete.

##### *IFRS 15 - 'Revenue from Contracts with Customers'*

The standard is effective for reporting periods beginning on or after 1 January 2018. The expected date of adoption by the Group will be 1 February 2018.

IFRS 15 introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The assessment of IFRS 15's impact on the Group's financial statements is not yet complete.

### **1.3 Measurement convention**

The financial statements are prepared on the historical cost basis.

### **1.4 Going concern**

UK Company Law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. Throughout the financial statements there are various disclosures relating to Group funding and operational risks. The Directors' report summarises the key themes.

The Group does have some exposure to current economic conditions which have the potential to impact annual revenues. The Directors are confident that the Group has sufficient resources and support to ensure that the profit and cash generation derived from future trading are sufficient to meet the Group's future requirements. As a result of these reviews, the Directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

### **1.5 Basis of consolidation**

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **1.6 Foreign currency**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of each company, and the presentational currency for the consolidated Financial statements.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

### **1.7 Classification of financial instruments issued by the Group**

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

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

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### *Trade and other receivables*

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

#### *Trade and other payables*

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

#### *Investments in debt and equity securities*

Investments in debt and equity securities are stated at amortised cost less impairment. Financial instruments held for trading or designated upon initial recognition are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### **1.9 Derivative financial instruments and hedging**

At 31 January 2017 and 31 January 2016, the Group had no derivatives in place for cash flow hedging purposes.

### **1.10 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised accumulated impairment losses. Useful lives are reviewed annually by the Directors.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 20 years
- plant and equipment 4 years
- fixtures and fittings 4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

### **1.11 Business combinations**

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interests in the acquiree; plus

the fair value of the existing equity interest in the acquiree; less

the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

### **1.12 Intangible assets and goodwill**

#### *Goodwill*

Goodwill arising on consolidation represents the excess cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reviewed.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

#### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

#### *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

|                                  |          |
|----------------------------------|----------|
| Licences, patents and trademarks | 25 years |
| Capitalised development costs    | 10 years |

### **1.13 Impairment excluding inventories, investment properties and deferred tax assets**

#### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **1.14 Employee benefits**

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Share-based payment transactions*

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Other than for business combinations, the only share based payments of the Group are equity settled share options and certain liability settlements. The Group has applied the requirements of IFRS 2 - Share-based Payments.

For share options granted an option pricing model is used to estimate the fair value of each option at grant date. That fair value is charged on a straight line basis as an expense in the income statement over the period that the holder becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.



For shares issued in settlement of fees and/or liabilities, the Directors estimate the fair value of the shares at issue date and that value is charged on a straight line basis as an expense in the income statement (for fees) or reduction in the balance sheet liability (for liabilities) with a corresponding increase in equity.

### **1.15 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### **1.16 Revenue**

Revenue is recognised when the service is rendered:

- Lottery business revenue represents takings received for entry into the lottery prize draws. Revenue is recognised on the date that the draw takes place.
- Football pitch revenue represents cash takings received for pitch bookings, recognised on the day of use by the customer.
- Payment processing revenue is recognised when transactions are processed.
- Digital wallet revenue is recognised at the point when a chargeable transaction occurs.

### **1.17 Expenses**

#### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### **1.18 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### **1.19 Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### **1.20 Trade Payables**

Trade payables are not interest-bearing and are stated at their nominal value.

## **2 Business combinations**

### **2.1 Acquisitions**

|   | <b>Principal activity</b> | <b>Date of acquisition</b> | <b>Proportion of voting interests acquired</b> | <b>Consideration transferred £'000</b> |
|---|---------------------------|----------------------------|--|--|
| Emex (UK) Group Limited                   | Payment processing        | 31 January 2016            | 100%   | 603                                    |
| Emex Technologies Ltd (Freepaymaster Ltd) | Payment processing        | 31 January 2016            | 100%   | 1,005                                  |

#### **Consideration transferred**

Total consideration transferred of £1,608,000 for the acquisitions of Emex (UK) Group Limited and Freepaymaster Limited includes stamp duty payable of £8,000.

On 31 January 2016 and reflecting this consideration, the Company issued £1.6m of 0% unsecured, undated, convertible loan stock which converted into 400,000,000 Ordinary Shares and were allotted to loan stock holders on 7 June 2016 and were admitted to trading on AIM on 15 June 2016.

**2.2 Assets acquired and liabilities recognised at the date of acquisition**

|                                  | Emex (UK)<br>Group Ltd<br>£'000 | Emex<br>Technologies<br>Ltd<br>(Freepaymaster<br>Ltd)<br>£'000 | Total<br>£'000 |
|----------------------------------|---------------------------------|--|----------------|
| <b>Current assets</b>            |                                 |  |                |
| Cash and cash equivalents        | 80                              | -  | 80             |
| Trade and other receivables      | -                               | -  | -              |
| <b>Non-current assets</b>        |                                 |  |                |
| Office Equipment                 | 1                               | -  | 1              |
| Licences, patents and trademarks | 54                              | -  | 54             |
| Trade and other receivables      | -                               | -  | -              |
| <b>Current liabilities</b>       |                                 |  |                |
| Trade and other payables         | (42)                            | -  | (42)           |
|                                  | <u>93</u>                       | <u>-</u>   | <u>93</u>      |

**2.3 Goodwill arising on acquisition**

|   | Emex (UK)<br>Group<br>Ltd<br>£'000 | Emex<br>Technologies Ltd<br>(Freepaymaster<br>Ltd)<br>£'000 | Total<br>£'000 |
|---|------------------------------------|---|----------------|
| Consideration Transferred                               | 603                                | 1,005   | 1,608          |
| Less: fair value of identifiable<br>net assets acquired | (93)                               | -   | (93)           |
| Goodwill arising on acquisition                         | <u>510</u>                         | <u>1,005</u>  | <u>1,515</u>   |

**2.4 Net cash inflow on acquisition**

|  | Period ended 31<br>January 2016<br><br>£'000 |
|--|--|
| Consideration paid in cash                       | -  |
| Plus: cash and cash equivalent balances acquired | 80   |
|  | <u>80</u>                                    |

**2.5 Disposals**

|                     | Principal activity | Date of disposal | Proportion of<br>voting interests<br>disposed | Consideration<br>received<br>£'000 |
|---------------------|--------------------|------------------|---|------------------------------------|
| Pay Corporation Ltd | Payment processing | 29 January 2016  | 100%  | -                                  |

**2.6 Assets disposed and liabilities derecognised at the date of disposal (prior year)**

|   | <b>Pay Corporation<br/>Ltd<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---|--|------------------------|
| Goodwill                                    | 460                                      | 460                    |
| Property, plant and machinery               | 13                                       | 13                     |
| Trade and other receivables                 | 1,529                                    | 1,529                  |
| Trade and other payables                    | (1,572)                                  | (1,572)                |
|   | 430                                      | 430                    |
|   | <b>£'000</b>                             |                        |
| Consideration received                      | -  |                        |
| Less: carrying value of net assets disposed | (430)                                    |                        |
| Loss on sale of disposed subsidiary         | (430)                                    |                        |

**2.7 Acquisitions in the current period**

During the year to 31 January 2017 there were no acquisitions.

On 10 April 2017, the Company acquired all of the ordinary shares in Timegrand Limited for £1,000,000 satisfied in full by the issue of 500,000,000 ordinary shares of 0.1p nominal each in the Company with a consideration value of 0.2p per share. Timegrand Limited holds intellectual property, software and knowhow including a new 10-year licence, granted on 10 April 2017, to use an advanced payment gateway software system called the WPJ Services Control Center, with advanced analytics and security/fraud management as well as finance and administration services. The acquisition of Timegrand Limited further enhances the offering of the Payments Division and includes gateway processing software with enhanced reporting capabilities, fraud management software and finance and administration services bringing about improved efficiencies between our delivery and internal finance functions. On acquisition Timegrand Limited had no trading record and the licence to use the WPJ Services Control Center software is newly issued, thus no profits or losses are attributable to the assets being acquired.

**3 Segment Analysis**

The primary reporting format is by business segment, based on the different services offered by the operating companies within the Group. The Directors consider that following the commencement of the venture between Soccerdome and with Nineteen Twelve Holdings Limited, the football pitch business is no longer an operating segment and as such the Group has two business segments, namely that of lottery administration and payment processing facilities. The Group operates solely in one geographical area, the United Kingdom.

The analysis of continuing operations per segment for the year ended 31 January 2017 is as follows:

|                | <b>Lottery<br/>Admin</b> | <b>Payment<br/>Processing</b> | <b>Unallocated</b> | <b>Group total</b> |
|----------------|--------------------------|-------------------------------|--------------------|--------------------|
|                | £'000                    | £'000                         | £'000              | £'000              |
| <b>Revenue</b> | <b>506</b>               | <b>1,221</b>                  | -                  | <b>1,727</b>       |
| Amortisation   | (2)                      | -                             | -                  | (2)                |

|                                     |           |            |              |           |
|-------------------------------------|-----------|------------|--------------|-----------|
| Depreciation                        | -         | (8)        | (18)         | (26)      |
| <b>Operating profit/(loss)</b>      | <b>46</b> | <b>337</b> | <b>(371)</b> | <b>12</b> |
| Finance income/(costs)              | -         | -          | (10)         | (10)      |
| <b>Profit/(Loss) before tax</b>     | <b>46</b> | <b>337</b> | <b>(381)</b> | <b>2</b>  |
| Tax charge                          | -         | -          | -            | -         |
| <b>Profit/(Loss) for the period</b> | <b>46</b> | <b>337</b> | <b>(381)</b> | <b>2</b>  |

The same analysis for the 18 months to the end of 31 January 2016 was as follows:

|                                     | <b>Lottery Admin</b> | <b>Payment Processing</b> | <b>Football Pitches</b> | <b>Unallocated</b> | <b>Group total</b> |
|-------------------------------------|----------------------|---------------------------|-------------------------|--------------------|--------------------|
|                                     | £'000                | £'000                     | £'000                   | £'000              | £'000              |
| <b>Revenue</b>                      | 911                  | 2,375                     | -                       | -                  | 3,286              |
| Amortisation                        | (1)                  | -                         | -                       | -                  | (1)                |
| Depreciation                        | -                    | (17)                      | (18)                    | -                  | (35)               |
| <b>Operating profit/(loss)</b>      | <b>30</b>            | <b>992</b>                | <b>(360)</b>            | <b>(464)</b>       | <b>198</b>         |
| Finance income/(costs)              | -                    | -                         | -                       | 6                  | 6                  |
| <b>Profit/(Loss) before tax</b>     | <b>30</b>            | <b>992</b>                | <b>(360)</b>            | <b>(458)</b>       | <b>204</b>         |
| Tax charge                          | -                    | (205)                     | -                       | -                  | (205)              |
| <b>Profit/(Loss) for the period</b> | <b>30</b>            | <b>787</b>                | <b>(360)</b>            | <b>(458)</b>       | <b>(1)</b>         |

Performance across the segments has remained relatively consistent during the year to 31 January 2017 compared to the prior period (on a pro-rata basis), with increased profit in the lottery business reflecting reduced operating costs due to less reliance on consultancy fees.

There has been an increase in unallocated overheads during the year to 31 January 2017 compared to the prior period (on a pro-rata basis), as the business builds its infrastructure to manage anticipated growth in future years.

The balance sheet analysis as at 31 January 2017 is as follows:

|                      | <b>Lottery<br/>Admin</b> | <b>Payment<br/>Processing</b> | <b>Unallocated</b> | <b>Group total</b> |
|----------------------|--------------------------|-------------------------------|--------------------|--------------------|
|                      | £'000                    | £'000                         | £'000              | £'000              |
| <b>Balance Sheet</b> |                          |                               |                    |                    |
| Total assets         | 322                      | 1,758                         | 2,708              | 4,788              |
| Total liabilities    | 353                      | 17                            | 1,919              | 2,289              |

The balance sheet analysis as at 31 January 2016 is as follows:

|                      | <b>Lottery<br/>Admin</b> | <b>Payment<br/>Processing</b> | <b>Football<br/>Pitches</b> | <b>Unallocated</b> | <b>Group total</b> |
|----------------------|--------------------------|-------------------------------|-----------------------------|--------------------|--------------------|
|                      | £'000                    | £'000                         | £'000                       | £'000              | £'000              |
| <b>Balance Sheet</b> |                          |                               |                             |                    |                    |
| Total assets         | 259                      | 134                           | 342                         | 2,578              | 3,313              |
| Total liabilities    | 314                      | 111                           | 8                           | 1,921              | 2,354              |

The following table analyses assets and liabilities not allocated to business segments as at 31 January 2017:

|                           | <b>2017<br/>£'000</b> | <b>2016<br/>£'000</b> |
|---------------------------|-----------------------|-----------------------|
| <b>Assets</b>             |                       |                       |
| Intangible fixed assets   | 4                     | 22                    |
| Tangible fixed assets     | 1                     | 4                     |
| Investments               | 1,953                 | 1,673                 |
| Other receivables         | 739                   | 865                   |
| Cash and cash equivalents | 11                    | 14                    |
|                           | <b>2,708</b>          | <b>2,578</b>          |
| <b>Liabilities</b>        |                       |                       |
| Trade and other payables  | 1,903                 | 315                   |
| Borrowings                | 6                     | 6                     |
| Convertible loan notes    | -                     | 1,600                 |
|                           | <b>1,919</b>          | <b>1,921</b>          |

#### 4 Revenue

|                       | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|-----------------------|----------------------------|----------------------------|
| Lottery               | 506                        | 910                        |
| Payment Processing    | 1,221                      | 2,376                      |
|                       | <hr/>                      | <hr/>                      |
| <b>Total revenues</b> | <b>1,727</b>               | <b>3,286</b>               |
|                       | <hr/> <hr/>                | <hr/> <hr/>                |

#### 5 Expenses

The following expenses comprise cost of sales:

|                            | <b>2017</b><br><b>£'000</b> | <b>2016</b><br><b>£'000</b> |
|----------------------------|-----------------------------|-----------------------------|
| Fees and integration costs | 52                          | 217                         |
| Affiliate/agent commission | 258                         | 214                         |
| Fees to lottery clients    | 212                         | 349                         |
| Prizes payable             | 40                          | 83                          |
|                            | <hr/>                       | <hr/>                       |
|                            | <b>562</b>                  | <b>863</b>                  |

The following material expenses are included in administrative expenses:

|   | <b>2017</b><br><b>£'000</b> | <b>2016</b><br><b>£'000</b> |
|---|-----------------------------|-----------------------------|
| Consultancy fees                          | 98                          | 251                         |
| Software development and maintenance fees | 143                         | 240                         |
| Office rent and rates                     | 117                         | 59                          |
| Hotel and travel                          | 38                          | 18                          |
| Professional fees                         | 125                         | 174                         |
| Bank charges                              | 14                          | 15                          |

#### 6 Operating profit

As permitted by Section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The (loss)/profit for the period after taxation was (£142,000) (2016: £647,000).

Operating profit/(loss) has been stated after charging/(crediting) the following:

|   | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Depreciation of tangible fixed assets                         | -            | 35           |
| Amortisation of intangible assets                             | 8            | 1            |
| Impairment of intangible assets                               | 18           | -            |
| Auditor's remuneration – Audit services to the Parent Company | 5            | 14           |
| Auditor's remuneration – Audit services to the Group          | 37           | 21           |
| Auditor's remuneration – Taxation services                    | 8            | 5            |

KPMG LLP's fees for the current year are £58,000 for audit services and £17,000 for tax related services (2016: Hart Shaw £37,000 and £8,000 respectively.)

## 7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
|  | <b>No.</b>  | <b>No.</b>  |
|  | <b>12</b>   | <b>9</b>    |

The split of employees by function within the Group is as follows:

|                          | <b>No.</b> | <b>No.</b> |
|--------------------------|------------|------------|
| Administration and Sales | 7          | 5          |
| Management               | 5          | 4          |
| Total                    | <b>12</b>  | <b>9</b>   |

|   | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Their aggregate remuneration comprised: |              |              |
| Wages and salaries                      | 284          | 225          |
| Social security costs                   | 4            | 19           |
| Directors' remuneration                 | 175          | 219          |
|   | <b>463</b>   | <b>463</b>   |

Directors' emoluments:

|  |    |    |
|--|----|----|
| Number of Directors accruing benefits under money purchase schemes | -  | -  |
| Aggregate emoluments of highest paid Director                      | 30 | 45 |

The salary of James Rose (2017: £60,000, 2016: £90,000) is included in Directors' remuneration above, but is excluded from the Directors' remuneration section on page 6 of the Directors' report as he is a director of Prize Provision Services Limited and Soccerdome Limited but not a Director of the Group.



Included within Directors' emoluments is £117,000 (2016: £175,500) paid to directors via related companies, as detailed in note 26.

## 8 Finance income and expense

Recognised in profit or loss

|                 | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|-----------------|----------------------------|----------------------------|
| Finance income  | <u>-</u>                   | <u>6</u>                   |
| Finance expense | <u>10</u>                  | <u>-</u>                   |

## 9 Taxation

Recognised in the income statement

|                             | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|-----------------------------|----------------------------|----------------------------|
| Current year                | -                          | 205                        |
| Adjustments for prior years | -                          | -                          |
|                             | <u>-</u>                   | <u>-</u>                   |
| Current tax expense         | -                          | 205                        |
| Deferred tax credit         | -                          | -                          |
|                             | <u>-</u>                   | <u>-</u>                   |
| Total tax expense           | <u>-</u>                   | <u>205</u>                 |

Reconciliation of effective tax rate

|   | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|---|----------------------------|----------------------------|
| <b>Profit before tax</b>                                      | <b>2</b>                   | <b>204</b>                 |
|   | <u>-</u>                   | <u>-</u>                   |
| Tax using the UK corporation tax rate of 20% (2016 : 20.44 %) | -                          | 42                         |
| Adjusted for the effect of:                                   |                            |                            |
| Non-deductible expenses                                       | 1                          | 245                        |
| Depreciation in excess of capital allowances                  | -                          | 7                          |
| Utilisation of previously unrecognised tax losses             | (1)                        | (89)                       |
|   | <u>-</u>                   | <u>-</u>                   |
| Total tax expense for the year                                | <u>-</u>                   | <u>205</u>                 |

## 10 Earnings per share

The calculation is based on the earnings attributable to ordinary shareholders divided by the weighted average number of Ordinary Shares in issue during the period as follows:

|  | <b>2017</b>          | <b>2016</b>          |
|--|----------------------|----------------------|
| Numerator: earnings attributable to equity (£'000)             | 2                    | (1)                  |
| Denominator: weighted average number of equity shares<br>(No.) | <u>1,722,496,437</u> | <u>1,452,352,425</u> |

The denominator as at 31 January 2017 is calculated as the weighted average of the 1,455,829,770 equity shares as at 1 February 2016 plus the 400,000,000 shares issued in June 2016.

In June 2010 the Company issued 24 million options to subscribe for Ordinary Shares of 0.1p each. At the period end 8.1 million options were outstanding. As the exercise price for all of these options was greater than the average share price in both periods, the options are not dilutive and therefore diluted earnings per share is the same as basic earnings per share.

On 31 January 2016 the Company issued £1.6m of 0% unsecured, undated, convertible loan stock which converted into 400,000,000 Ordinary Shares and were allotted to loan stock holders on 7 June 2016 and were admitted to trading on AIM on 15 June 2016.

**11 Property, plant and equipment**

|  | <b>Land and<br/>buildings<br/>£000</b> | <b>Office<br/>equipment<br/>£000</b> | <b>Total<br/>£000</b> |
|--|--|--------------------------------------|-----------------------|
| <b>Cost</b>                                |  |                                      |                       |
| <b>Balance at 1 August 2014</b>            | <b>503</b>                             | <b>49</b>                            | <b>552</b>            |
| Acquisitions through business combinations | -                                      | -                                    | -                     |
| Disposals                                  | (503)                                  | (34)                                 | (537)                 |
| <b>Balance at 31 January 2016</b>          | <b>-</b>                               | <b>15</b>                            | <b>15</b>             |
| Acquisitions through business combinations | -                                      | -                                    | -                     |
| Other acquisitions                         | -                                      | 1                                    | 1                     |
| Disposals                                  | -                                      | -                                    | -                     |
| <b>Balance at 31 January 2017</b>          | <b>-</b>                               | <b>16</b>                            | <b>16</b>             |
| <b>Depreciation and impairment</b>         |  |                                      |                       |
| <b>Balance at 1 August 2014</b>            | <b>143</b>                             | <b>26</b>                            | <b>169</b>            |
| Depreciation charge for the 18 months      | 18                                     | 17                                   | 35                    |
| Impairment losses                          | -                                      | -                                    | -                     |
| Disposals                                  | (161)                                  | (28)                                 | (189)                 |
| <b>Balance at 31 January 2016</b>          | <b>-</b>                               | <b>15</b>                            | <b>15</b>             |
| Depreciation charge for the year           | -                                      | -                                    | -                     |
| Impairment losses                          | -                                      | -                                    | -                     |
| Disposals                                  | -                                      | -                                    | -                     |
| <b>Balance at 31 January 2017</b>          | <b>-</b>                               | <b>15</b>                            | <b>15</b>             |
| <b>Net book value</b>                      |  |                                      |                       |
| At 1 August 2014                           | 360                                    | 23                                   | 383                   |
| At 31 January 2016 and 1 February 2016     | -                                      | 1                                    | 1                     |
| At 31 January 2017                         | -                                      | 1                                    | 1                     |

*Impairment loss and subsequent reversal*

During the year to 31 January 2017, there were no impairment losses.

The depreciation charge for the year (rounded to £nil) is recognised in administrative expenses in the income statement.

**12 Intangible assets**

|  | Website and<br>software<br>design &<br>development<br>£000 | Licences,<br>patents and<br>trademarks<br>£000 | Total<br>£000 |
|--|--|--|---------------|
| <b>Cost</b>                                |  |  |               |
| <b>Balance at 1 August 2014</b>            | <b>28</b>  | -  | <b>28</b>     |
| Acquisitions through business combinations | -  | 54   | 54            |
| Other acquisitions – externally purchased  | 10   | -  | 10            |
| Disposals                                  | (6)  | -  | (6)           |
| <b>Balance at 31 January 2016</b>          | <b>32</b>  | <b>54</b>                                      | <b>86</b>     |
| Acquisitions through business combinations | -  | -  | -             |
| Other acquisitions – externally purchased  | 8  | -  | 8             |
| Disposals                                  | -  | -  | -             |
| <b>Balance at 31 January 2017</b>          | <b>40</b>  | <b>54</b>                                      | <b>94</b>     |
| <b>Amortisation and impairment</b>         |  |  |               |
| <b>Balance at 1 August 2014</b>            | -  | -  | -             |
| Amortisation for the 18 months             | 1  | -  | 1             |
| Impairment charge                          | -  | -  | -             |
| Disposals                                  | -  | -  | -             |
| <b>Balance at 31 January 2016</b>          | <b>1</b>   | -  | <b>1</b>      |
| Amortisation for the year                  | 1  | 7  | 8             |
| Impairment charge                          | 18   | -  | 18            |
| Disposals                                  | -  | -  | -             |
| <b>Balance at 31 January 2017</b>          | <b>20</b>  | <b>7</b>                                       | <b>27</b>     |
| <b>Net book value</b>                      |  |  |               |
| At 1 August 2014                           | 28   | -  | -             |
| At 31 January 2016 and 1 February 2016     | 31   | 54   | 85            |
| At 31 January 2017                         | 20   | 47   | 67            |

*Impairment loss and subsequent reversal*

During the year to 31 January 2017, an impairment of £18,000 relating to historical Research & Development was taken.

*Amortisation and impairment charge*

The amortisation and impairment charge is recognised in the following line items in the income statement:

|                         | 2017<br>£000 | 2016<br>£000 |
|-------------------------|--------------|--------------|
| Administrative expenses | 26           | 1            |

## 13 Goodwill

|                                   | <b>Goodwill</b><br><b>£000</b> |
|-----------------------------------|--------------------------------|
| <b>Balance at 1 August 2014</b>   | <b>618</b>                     |
| Additions (Note 2)                | 1,515                          |
| Disposals (Note 2)                | (460)                          |
| Impairment                        | -                              |
| <b>Balance at 31 January 2016</b> | <b>1,673</b>                   |
| Additions                         | -                              |
| Disposals                         | -                              |
| Impairment                        | -                              |
| <b>Balance at 31 January 2017</b> | <b>1,673</b>                   |

### *Impairment loss and subsequent reversal*

Included within goodwill is an amount relating to the subsidiaries Prize Provision Services Limited, Emex Technologies Ltd (formerly Freepaymaster Limited) and Emex (UK) Group Limited. The carrying amount for goodwill for these respective subsidiaries, each considered to be a separate CGU, is £158,000, £1,005,000 and £510,397 respectively.

The principal assumptions made in 2017 in testing the goodwill for impairment were as follows:

#### *Prize Provision Services Limited*

The recoverable amount was determined based on an assessment of sale value less costs associated with sale as indicated by a recent arms length offer to acquire the business, which was significantly in excess of the carrying value of goodwill.

#### *Emex (UK) Group Limited*

The recoverable amount was calculated based on determining the value in use of this cash generating unit. The following key assumptions were used in this calculation.

- Period covered by management plans used in calculation – 5 years;
- Annual growth rates is 0% with a 10% pre-tax discount rate applied to cash flow projections.

#### **Sensitivity analyses were performed on the forecast:**

The calculation of value in use shown above is sensitive to the assumptions on growth rates.

The forecast could absorb a 20% reduction in revenue combined with a 20% increase in costs without any impact on the level of goodwill carried on the balance sheet.

The forecast is not sensitive to discount rate. Even at a discount rate of 25% the forecast would not suggest that an impairment to goodwill would be required.

#### *Emex Technologies Limited*

The recoverable amount was calculated based on determining the value in use of this cash generating unit. The following key assumptions were used in this calculation.

- Period covered by management plans used in calculation – 5 years;
- Revenue during year 1 reflects significant growth during the first year of trading, with subsequent annual growth rates of 5% and a 10% pre-tax discount rate applied to cash flow projections.

This business commenced trading in 2016 and as such is still in its initial growth phase, which is why growth rates are predicted to be above the long-term growth rate for the industry.

**Sensitivity analyses were performed on the forecast:**

The calculation of value in use shown above is sensitive to the assumptions on growth rates.

The forecast could absorb a 20% reduction in revenue combined with a 10% increase in costs without any impact on the level of goodwill carried on the balance sheet.

The forecast is not sensitive to discount rate. Even at a discount rate of 25% the forecast would not suggest that an impairment to goodwill would be required.

As a result of the above sensitivity analysis, the assumptions used are considered to be realistically achievable in light of economic and industry measures and forecasts. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Whilst there can be no certainty that the forecasts used in the impairment calculation will be achieved, the carrying value of goodwill at 31 January 2017 reflects the cost less any provision for impairment. Given the outcome of the sensitivity analysis above, there is no chance of impairment from any reasonable possible change in assumption. The forecasts reflect all matters of which the Directors are aware as at the date of approval of these financial statements.

**14 Investment in equity instruments**

|                       | <b>2016</b><br><b>£'000</b> |
|-----------------------|-----------------------------|
| <b>Cost</b>           |                             |
| At 1 August 2014      | -                           |
| Valuation             | <b>342</b>                  |
| Disposals             | -                           |
|                       | -                           |
| At 31 January 2016    | <b>342</b>                  |
| <b>Valuation</b>      |                             |
| Fair value adjustment | (62)                        |
| At 31 January 2017    | <b>280</b>                  |

The investment in equity relates to a 10% investment in Nineteen Twelve Holdings Limited. This investment has been designated to be valued at fair value through other comprehensive income. This has been designated at fair value through other comprehensive income as the equity investment is not held for trading. No dividends have been recognised during the period. Nineteen Twelve Holdings Limited has entered into a venture with Soccerdome Limited, a subsidiary of Boxhill Technologies Plc.

Given that the Group only holds 10% of the share capital of Nineteen Twelve Holdings Limited and correspondingly only 10% of the voting rights and furthermore management and operating decisions are taken by the other equity holder, it is deemed that the Group does not hold control or have significant influence over Nineteen Twelve Holdings Limited.

The principal assumptions made in 2017 in determining fair value were as follows:

The fair value was calculated using a discounted cash flow model. The following key assumptions were used in this calculation.

- The period covered by management plans used in calculation is 9 years.
- The annualised long term-growth rate takes the business, to a year 9 pitch utilisation rate of 21% (Prime/evening pitch time utilisation rate of 57% and Non-prime/daytime utilisation rate of 12%). This reflects the phase of rapid growth that the business is in following its refurbishment in May 2016.
- The pre-tax discount rate applied to cash flow projection – 10%;

The period covered by this forecast reflects the specific terms in the articles of association of Nineteen Twelve Holdings Limited, which entitles Boxhill Technologies Plc to the first £250,000 of post tax profits over that period.

**Sensitivity analyses were performed on the forecast:**

The fair value calculation above is sensitive to the assumptions on growth rates and discount rates.

A 5% increase in revenues over the course of the time period covered, would result in an additional increase in fair value of £15,000 and the same for an equivalent decrease.

A 5% decrease in the discount rate used would result in an increase in fair value of £16,000 and a 5% decrease would decrease the fair value by £15,000.

**15 Investments in subsidiaries**

Details of the Company's subsidiaries at 31 January 2017 are as follows:

| <u>Name of Subsidiary</u>                              | <u>Company number</u> | <u>Place of incorporation (or registration) and operation</u> | <u>Proportion of ownership interest &amp; voting power held</u> | <u>Holding</u>  | <u>Principal activity</u>    |
|--|-----------------------|---|---|-----------------|------------------------------|
| Prize Provision Services Limited                       | 03152966              | England and Wales   | 100%  | Ordinary shares | Lottery provider             |
| Soccerdome Limited                                     | 02948017              | England and Wales   | 100%  | Ordinary shares | Investment Holding Company   |
| Barrington Lewis Limited                               | 07190212              | England and Wales   | 100%  | Ordinary shares | Dormant                      |
| Emex Technologies Ltd (formerly Freepaymaster Limited) | 09261233              | England and Wales   | 100%  | Ordinary shares | Payment processing           |
| Emex (UK) Group Limited                                | SC518243              | Scotland  | 100%  | Ordinary Shares | Intermediary Holding Company |
| Emex Consult Ltd                                       | NI614354              | Northern Ireland  | 100% by Emex (UK) Group Limited                                 | Ordinary shares | Payment processing           |

The registered office address for each subsidiary is as follows:

| <u>Name of<br/>Subsidiary</u>                                   | <u>Registered office address</u>  |
|---|---|
| Prize Provision<br>Services Limited                             | Suite 3 20, Market Hill, Buckingham, Buckinghamshire,<br>England, MK18 1JX                            |
| Soccerdome Limited  | 39 St. James's Street, London,<br>SW1A 1JD  |
| Barrington Lewis<br>Limited                                     | 39 St. James's Street, London,<br>SW1A 1JD  |
| Emex Technologies<br>Ltd (formerly<br>Freepaymaster<br>Limited) | 39 St. James's Street, London,<br>SW1A 1JD  |
| Emex (UK) Group<br>Limited                                      | Unit 17/18 Alpha Freight, Prestwick Intl' Airport,<br>Prestwick, South Ayrshire,<br>Scotland, KA9 2PL |
| Emex Consult Ltd  | Forsythe House, Cromac Square,<br>Belfast, Northern Ireland,<br>BT2 8LA                               |

**16 Trade and other receivables**

|                                | <b>2017</b>              | 2016                   |
|--------------------------------|--------------------------|------------------------|
|                                | <b>£000</b>              | £000                   |
| Trade receivables              | 1,750                    | 783                    |
| Other receivables              | 6                        | 95                     |
| Prepayments and accrued income | 158                      | 43                     |
| VAT receivable                 | 35                       | -                      |
|                                | <hr/> <b>1,949</b> <hr/> | <hr/> <b>921</b> <hr/> |

Included within trade and other receivables is £nil (2016 : £nil) expected to be recovered in more than 12 months.

Included within prepayments is £138,000 legal fees that are expected to be recovered from the ongoing legal case with Eupay Group Limited.

The Group has provided fully for all receivables which are not considered recoverable. In determining the recoverability of all receivables, the Group considers any change in the credit quality of the receivable up to the reporting date.

The Directors consider that the carrying amount of the receivables approximates their fair value.



**17 Cash and cash equivalents/ bank overdrafts**

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Cash and cash equivalents per balance sheet | <u>818</u>  | <u>291</u>  |

Cash and cash equivalents comprises cash held by the Group and short-term bank deposits with an original maturity of 6 months or less. The carrying amount of these assets approximates their fair value.

Within the cash balance of £818,000 is an amount of £116,730 held in designated trust accounts for the benefit of clients of Prize Provision Services Limited (2016: £266,455).

**18 Other interest-bearing loans and borrowings**

*Borrowings*

Borrowings at 31 January 2017 include a loan of £6,100 (2016: £6,100). The loan is repayable on a fixed monthly repayment basis and due for settlement within 12 months.

**19 Trade and other payables**

|   | <b>2017</b>  | <b>2016</b> |
|---|--------------|-------------|
|   | <b>£000</b>  | <b>£000</b> |
| Trade payables                          | 450          | 290         |
| Other payables                          | 1,687        | 290         |
| Accrued liabilities and deferred income | 146          | 168         |
|   | <u>2,283</u> | <u>748</u>  |
| <b>Other payables comprise:</b>         |              |             |
| Social security and other taxes         | 6            | (8)         |
| Amounts owing to customers              | 1,457        | -           |
| Other                                   | 224          | 298         |
|   | <u>1,687</u> | <u>290</u>  |
| <b>Presented as:</b>                    |              |             |
| Current                                 | 2,283        | 748         |
| Non-current                             | -            | -           |

Included within trade and other payables is £nil (2016 : £nil) expected to be settled in more than 12 months.

Accrued liabilities and deferred income represents miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the period end and income received during the period, for which the Group had not supplied the goods or services at the end of the period.

The Directors consider that the book value of trade payables, accrued liabilities and deferred income approximates to their fair value at the balance sheet date.

The average credit period taken for trade purchases is 80 days (2016: 111 days).

## 20 Deferred taxation

A deferred tax asset has not been recognised in the year ended 31 January 2017 nor the 18 months ending 31 January 2016 in respect of taxable losses carried forward.

As at 31 January 2016, there were £782,486 of unused tax losses, of which £1,000 was utilised in the year to 31 January 2017.

There are not considered to be any material temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised.

## 21 Equity Share capital

|  | <b>2017</b>         | <i>2016</i>         |
|--|---------------------|---------------------|
|  | <b>£'000</b>        | <i>£'000</i>        |
| <b>Allotted, called up and fully paid</b>                        |                     |                     |
| 1,855,829,770 (2016: 1,455,829,770) Ordinary Shares of 0.1p each | <u><b>1,856</b></u> | <u><i>1,456</i></u> |

On 31 January 2016 the Company issued £1.6m of 0% unsecured, undated, convertible loan stock which converted into 400,000,000 Ordinary Shares and were allotted to loan stock holders on 7 June 2016 and were admitted to trading on AIM on 15 June 2016.

The shares were consideration for the acquisition of Emex (UK) Group Limited, and the associated company, Freepaymaster Limited (collectively, "Emex"). The assets of Emex on acquisition and calculation of goodwill are shown in Note 2.

## 22 Capital and reserves

### *Dividends*

No dividends were recognised in either the period to 31 January 2017 or to 31 January 2016.

### *Share Premium*

On 11 July 2014 the Company issued 120 million shares to a supplier which was to provide software services to the Group. The supplier was unable to deliver those services and therefore the shares issued were sold in the market and the proceeds returned to the Company. These proceeds were used by the Company and Group for general working capital purposes, including to purchase for cash similar services to those that were to be provided by the supplier. The sale of these shares is treated as a sale of treasury shares for accountancy purposes, but the shares concerned were not treasury shares for the purposes of the Companies Act 2006 or the AIM Rules for Companies.

## 23 Share-based payments

Certain Directors and key management were issued with share options on 8 June 2010, exercisable immediately at a price fixed at the date of issue. As at 2 June 2017 none of these options had been exercised and therefore all options expired on this date.

Details of options granted were as follows:

| Date of Grant | No.<br>£'000 | Exercise price | Exercise period            |
|---------------|--------------|----------------|----------------------------|
| 8 June 2010   | 2,700,000    | 0.75p          | 8 June 2010 to 2 June 2017 |
| 8 June 2010   | 2,700,000    | 1.0p           | 8 June 2010 to 2 June 2017 |
| 8 June 2010   | 2,700,000    | 1.25p          | 8 June 2010 to 2 June 2017 |

All of the above options were outstanding at and so lapsed on 2 June 2017.

## 24 Financial instruments

The key risks and uncertainties faced by the Group are managed within a risk management framework. The Group's day to day working capital is funded by its cash and cash equivalents. The key risks identified for the Group are discussed below.

The company has exposure to credit risk, market risk and liquidity risk that arises through the normal course of the Group's business.

### 24 (a) Fair values of financial instruments

The Directors consider that there is no material difference between the asset and liability values in the balance sheet and their fair value.

All assets and liabilities held at fair value are tier 1, with the exception of the Investment in Equity Instrument of £280k (2016: £342k) which is Tier 3. This asset has been valued using a discounted cash flow model to determine its value in use and adjusted accordingly. The key assumptions for this calculation are in note 14.

### 24 (b) Credit risk

#### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

#### *Exposure to credit risk*

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was;

|                   | 2017<br>£000 | 2016<br>£000 |
|-------------------|--------------|--------------|
| Trade receivables | 1,750        | 783          |
| Other receivables | 6            | 95           |
|                   | <hr/>        | <hr/>        |
|                   | 1,756        | 878          |
|                   | <hr/> <hr/>  | <hr/> <hr/>  |

As at 31 January 2017, all trade receivables were generated from within the UK.

*Credit quality of financial assets and impairment losses*

The aging of trade receivables at the balance sheet date was:

|                        | <b>2017</b>  | <b>2016</b> |
|------------------------|--------------|-------------|
|                        | <b>£000</b>  | <b>£000</b> |
| Not past due           | 181          | -           |
| Past due [0-30 days]   | 108          | -           |
| Past due [31-120 days] | 514          | 55          |
| More than 120 days     | 947          | 728         |
|                        | <b>1,750</b> | <b>783</b>  |
|                        | <b>1,750</b> | <b>783</b>  |

The majority of the £947,000 that was in excess of 120 days past due as at 31 January 2017 was due from a related party (Phillite D Limited). The Directors are confident of its recovery and therefore there is no allowance for impairment.

In both the year to 31 January 2017 there were £34,000 of trade receivables that were impaired (2016: £nil).

**24 (c) Liquidity risk**

*Financial risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 January 2017, the Group held a £6,100 loan (2016: £6,100).

In addition, as at 31 January 2017, the Group had Trade and other payables of £2,283,000 (2016: £748,000), of which all is due within the next 12 months.

The Directors consider that there is no material difference between the value in the balance sheet and its fair value.

**24 (d) Market risk**

*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

The Group's exposure to interest rate risk mainly concerns financial assets and liabilities, which are subject to floating rates in the Group. At present the Group's loans are on fixed rate interest rates and hence it is not exposed to risk on these should rates move.

The Group's treasury function is responsible for managing cash flow management, interest and foreign exchange exposure to ensure adequate liquidity at all times to meet cash requirements.

### Market risk - Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments.

#### 31 January 2017

|                             | <b>Sterling</b>     | <b>Euro</b>         | <b>US Dollar</b>    | <b>Other</b>    | <b>Total</b>        |
|-----------------------------|---------------------|---------------------|---------------------|-----------------|---------------------|
|                             | <b>£000</b>         | <b>£000</b>         | <b>£000</b>         | <b>£000</b>     | <b>£000</b>         |
| Cash and cash equivalents   | 311                 | 69                  | 438                 | -               | 818                 |
| Trade and other receivables | 1,037               | 640                 | 79                  | -               | 1,756               |
| Bank loans                  | 6                   | -                   | -                   | -               | 6                   |
| Trade and other payables    | 683                 | 725                 | 728                 | -               | 2,136               |
| <b>Net exposure</b>         | <b><u>2,071</u></b> | <b><u>1,434</u></b> | <b><u>1,245</u></b> | <b><u>-</u></b> | <b><u>4,716</u></b> |

#### *Sensitivity analysis*

A 1% percent weakening of the following currencies against the pound sterling at 31 January 2017 would have increased profit before tax by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the 18 months to 31 January 2016.

|    | <b>Equity</b> | <b>Equity</b> |
|----|---------------|---------------|
|    | <b>2017</b>   | <b>2016</b>   |
|    | <b>£000</b>   | <b>£000</b>   |
| €  | 14            | -             |
| \$ | 12            | -             |

A 1% percent strengthening of the above currencies against the pound sterling at 31 January 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Market risk – Interest rate risk

During both the year to 31 January 2017 and 18 months to 31 January 2016, the Company's surplus funds were placed in deposits at floating rates. At present the Group's loans are on fixed rate interest rates and hence it is not exposed to risk on these should rates move.

### Market risk - Equity price risk

The Group does not currently have any exposure to equity price risk. As at 31 January 2017, the Group did not have any investments in quoted equity securities

#### *24 (e) Capital management*

The objective of the Company's capital management is to ensure that there is sufficient liquidity within the Company to carry out the committed and forecast investment and expenditure. The Company monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the

parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Board manages the structure of its capital and makes necessary adjustments to accommodate the changes in the economic conditions. To maintain or adjust the capital structure, the Board may issue new shares for cash. No significant changes were made in the objectives, policies or processes during the period ended 31 January 2017.

## 25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | <b>2017</b> | <b>2016</b> |
|----------------------------|-------------|-------------|
|                            | <b>£000</b> | <b>£000</b> |
| Less than one year         | 19          | 5           |
| Between one and five years | -           | -           |
| More than five years       | -           | -           |
|                            | 19          | 5           |
|                            | 19          | 5           |

Operating lease payments represent rentals payable by the Group for office premises. Leases are negotiated over the term considered most relevant to the individual subsidiary and rentals are fixed where possible for that term.

During the year to 31 January 2017 £33,000 was recognised as an expense in the income statement in respect of operating leases (2016: £44,000).

## 26 Related parties

The transactions set out below took place between the Group and certain related parties.

### *Lord E T Razzall*

Lord E T Razzall, a director, charged the Group £24,000 (2016: £36,000) in the period, for directorship services provided, via an entity trading as R T Associates. At the period end R T Associates was owed £35,400 (2016: £16,200).

### *Andrew J A Flitcroft*

Andrew Flitcroft, a director, charged the Group £33,000 (2016: £49,500) in the period, for directorship and company secretarial services provided, via an entity FS Business Limited. At the period end FS Business Limited was owed £59,550 (2016: £52,650).

Mr Flitcroft is a director of SVS Securities PLC, during the period the Group earned £nil (2016: £9,228) from SVS Securities PLC.

### **Philip I Jackson**

During the period Philip Jackson was a director of Phillite D UK Limited (and also EuPay Group Limited during the 18 months to 31 January 2016). During the year to 31 January 2017 the Group earned net fees from the provision of services to Group clients by Phillite D UK Limited of £626,723 (2016: £1,155,466).

Phillite D UK Limited performed regulated services on behalf of the Group between December 2014 and November 2016, which gave the Group the regulatory authorisation to perform payment processing. The revenue recognised and costs associated with this processing was reflected within the parent company (Boxhill Technologies Plc). Since

November 2016, Phillite D UK Limited's services have been undertaken within the Group by Emex Technologies Limited which obtained the necessary Financial Conduct Authority licences in May 2016.

During the 18 months to 31 January 2016 the Group earned net fees from the provision of services to Group clients by EuPay Group Limited of £1,025,497.

At the period end the Group was owed £nil and £1,767,536 from EuPay Group Limited and Phillite D UK Limited respectively (2016: £225,235 and £727,833). The services provided to the Group's clients by EuPay Group Limited and Phillite D UK Limited were at cost to the Group with no profit or uplift being made by either of EuPay Group Limited or Phillite D UK Limited.

### **James Rose**

James Rose is a director of Prize Provision Services Limited ("PPSL") a wholly owned subsidiary of Boxhill Technologies PLC. During the period James Rose charged PPSL £60,000 for consultancy services via an entity 1912 Management Limited (2016: £90,000). At the period end 1912 Management Limited was owed £134,450 (2016: £95,458).

Mr Rose is a director of House of V Ltd, during the period the Group was charged £2,112 (2016: £nil) from House of V Limited.

### **Remuneration of key management personnel**

The remuneration of the Directors and Phil Jackson, who are the key management personnel of the Group, is as referred to above, and on page 6 within the Directors' Report and in Note 7.

### **Issue of Equity**

As referred to in Note 23, share options were granted in 2010 to Directors and key management, all of which were outstanding at the period end. The following options were held by the Directors and key management at the period end:

|                  | <b>Options No.</b> | <b>Option details</b> |
|------------------|--------------------|-----------------------|
| Lord E T Razzall | <b>3,300,000</b>   | See A below           |
| J M Botros       | <b>4,800,000</b>   | See B below           |

A – 1,100,000 at 0.75p, 1,100,000 at 1p and 1,100,000 at 1.25p

B – 1,600,000 at 0.75p, 1,600,000 at 1p and 1,600,000 at 1.25p

All of the options lapsed on 2 June 2017.

John Botros is a Director of Barrington Lewis Limited and Soccerdome Limited.

### *Transactions with key management personnel*

Directors of the Company and their immediate relatives control 18.43% of the voting shares of the Company.

The compensation of key management personnel is as follows:

|   | <b>2017</b> | <b>2016</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Key management remuneration including social security costs | 175         | 219         |
|   | 175         | 219         |
|   | 175         | 219         |

## 27 Subsequent events

Subsequent to the balance sheet date, the purchase of Timegrand Ltd was completed on 10 April 2017.

Details of which can be found in section 2.7.

## 28 Accounting estimates and judgements

In application of the Group's accounting policies above, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates.

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

### *Key sources of estimation uncertainty*

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

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Further detail of the key assumptions and sensitivities are included in note 13.

#### *Valuation of investment in equity instrument carried at fair value*

Determining fair value requires the entity to estimate the future cash flow expected to arise from the investment and a suitable discount rate in order to calculate present value. Further details of the key assumptions and sensitivities are included in note 14.

## 29 Controlling Party

No single individual has sole control of the company.



## Company Balance Sheet

At 31 January 2017

|                                   | <i>Note</i> | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|-----------------------------------|-------------|----------------------------|----------------------------|
| <b>Non-current assets</b>         |             |                            |                            |
| Property, plant and equipment     | 4           | 1                          | -                          |
| Intangible assets                 | 3           | -                          | 18                         |
| Investments                       | 6           | 1,902                      | 2,003                      |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Total non-current assets</b>   |             | <b>1,903</b>               | <b>2,021</b>               |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Current assets</b>             |             |                            |                            |
| Trade and other debtors           | 6           | 945                        | 896                        |
| Cash and cash equivalents         | 7           | 11                         | 14                         |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Total current assets</b>       |             | <b>956</b>                 | <b>910</b>                 |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Total assets</b>               |             | <b>2,859</b>               | <b>2,931</b>               |
|                                   |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Current liabilities</b>        |             |                            |                            |
| Trade and other payables          | 8           | 497                        | 427                        |
| Convertible loan stock            | 8           | -                          | 1,600                      |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Total current liabilities</b>  |             | <b>497</b>                 | <b>2,027</b>               |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Total liabilities</b>          |             | <b>497</b>                 | <b>2,027</b>               |
|                                   |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Net assets</b>                 |             | <b>2,362</b>               | <b>904</b>                 |
|                                   |             | <hr/> <hr/>                | <hr/> <hr/>                |
| <b>Capital and reserves</b>       |             |                            |                            |
| Share capital                     | 9           | 1,856                      | 1,456                      |
| Share premium                     | 9           | 3,020                      | 1,820                      |
| Retained earnings                 | 9           | (2,514)                    | (2,372)                    |
|                                   |             | <hr/>                      | <hr/>                      |
| <b>Equity shareholders' funds</b> |             | <b>2,362</b>               | <b>904</b>                 |
|                                   |             | <hr/> <hr/>                | <hr/> <hr/>                |

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

These financial statements were approved by the board of directors on 7 July 2017.

and were signed on its behalf by:

**A J A Flitcroft**  
*Director*

Company registered number: 04458947

## Company Statement of Changes in Equity

|                                    | Share<br>capital<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Total<br>equity<br>£000 |
|------------------------------------|--------------------------|--------------------------|------------------------------|-------------------------|
| <b>Balance at 31 July 2014</b>     | <b>1,427</b>             | <b>1,723</b>             | <b>(3,019)</b>               | <b>131</b>              |
| Shares issued in period less costs | 29                       | 15                       | -                            | 44                      |
| Profit on treasury shares          | -                        | 82                       | -                            | 82                      |
| Gain for the period                | -                        | -                        | 647                          | 647                     |
| <b>Balance at 31 January 2016</b>  | <b>1,456</b>             | <b>1,820</b>             | <b>(2,372)</b>               | <b>904</b>              |
| Shares issued in period less costs | 400                      | 1,200                    | -                            | 1,600                   |
| Profit for the period              | -                        | -                        | (142)                        | (142)                   |
| <b>Balance at 31 January 2017</b>  | <b>1,856</b>             | <b>3,020</b>             | <b>(2,514)</b>               | <b>2,362</b>            |

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

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

There are no material differences between the accounting policies of the Group except as detailed below:

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Company's financial risk management policies are disclosed in the consolidated financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### 2 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

### 3 Intangible assets and goodwill

The Company's intangible assets consist of research and development costs as detailed in note 12 of the consolidated financial statements. This was written-off during the year to 31 January 2017 as current technology supersedes the research work undertaken at the time.

|  | <b>Research &amp;<br/>development<br/>£000</b> |
|--|--|
| <b>Cost</b>                            |  |
| <b>Balance at 1 August 2014</b>        | <b>18</b>                                      |
| Acquisitions                           | -  |
| Disposals                              | -  |
| <b>Balance at 31 January 2016</b>      | <b>18</b>                                      |
| Acquisitions                           | -  |
| Disposals                              | -  |
| <b>Balance at 31 January 2017</b>      | <b>18</b>                                      |
| <b>Amortisation and impairment</b>     |  |
| <b>Balance at 1 August 2014</b>        | -  |
| Amortisation for the 18 months         | -  |
| Impairment charge                      | -  |
| Disposals                              | -  |
| <b>Balance at 31 January 2016</b>      | -  |
| Amortisation for the year              | -  |
| Impairment charge                      | 18   |
| Disposals                              | -  |
| <b>Balance at 31 January 2017</b>      | <b>18</b>                                      |
| <b>Net book value</b>                  |  |
| At 1 August 2014                       | 18   |
| At 31 January 2016 and 1 February 2016 | 18   |
| At 31 January 2017                     | -  |

#### *Amortisation and impairment charge*

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

|                         | <b>2017<br/>£000</b> | <b>2016<br/>£000</b> |
|-------------------------|----------------------|----------------------|
| Administrative expenses | 18                   | -                    |
|                         | <b>18</b>            | -                    |

#### 4 Tangible fixed assets

The Company's tangible fixed assets consist of equipment with a net book value of £1,000 (2016: £nil) when rounded to £'000s.

|  | <b>Office equipment</b> |
|--|-------------------------|
|  | <b>£000</b>             |
| <b>Cost</b>                            |                         |
| <b>Balance at 1 August 2014</b>        | -                       |
| Acquisitions                           | -                       |
| Disposals                              | -                       |
| <b>Balance at 31 January 2016</b>      | -                       |
| Acquisitions                           | 1                       |
| Disposals                              | -                       |
| <b>Balance at 31 January 2017</b>      | <b>1</b>                |
| <b>Depreciation and impairment</b>     |                         |
| <b>Balance at 1 August 2014</b>        | -                       |
| Depreciation charge for the 18 months  | -                       |
| Impairment losses                      | -                       |
| Disposals                              | -                       |
| <b>Balance at 31 January 2016</b>      | -                       |
| Depreciation charge for the year       | -                       |
| Impairment losses                      | -                       |
| Disposals                              | -                       |
| <b>Balance at 31 January 2017</b>      | -                       |
| <b>Net book value</b>                  |                         |
| At 1 August 2014                       | -                       |
| At 31 January 2016 and 1 February 2016 | -                       |
| At 31 January 2017                     | <b>1</b>                |

## 5 Fixed asset investments

The Company's investments consist of investments in subsidiaries of £1,902,000 (2016: £2,003,000).

| <u>Subsidiary</u>   | <b>Investment<br/>held<br/>2017<br/>£'000</b> | <b>Investment<br/>held<br/>2016<br/>£'000</b> |
|---|---|---|
| Prize Provision Services Limited                          | 14  | 14  |
| Soccerdome Limited  | 280   | 381   |
| Barrington Lewis Limited                                  | -   | -   |
| Emex Technologies Ltd (formerly<br>Freepaymaster Limited) | 1,005   | 1,005   |
| Emex (UK) Group Limited<br>Emex Consult Ltd               | 603   | 603   |
|   | <u>1,902</u>                                  | <u>2,003</u>                                  |

Details of the Company's subsidiaries at 31 January 2017 can be found in note 15 of the consolidated financial statements.

## 6 Debtors

|   | <b>2017<br/>£000</b> | 2016<br>£000 |
|---|----------------------|--------------|
| Amounts due from subsidiary undertaking | 3                    | 3            |
| Trade receivables                       | 582                  | -            |
| Other receivables                       | 208                  | 874          |
| Prepayments and accrued income          | 152                  | 19           |
|   | <u>945</u>           | <u>896</u>   |

Included within trade and other receivables is £nil (2016: £nil) expected to be recovered in more than 12 months.

**7 Cash and cash equivalents/ bank overdrafts**

|                                  | <b>2017</b> | <b>2016</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>£000</b> | <b>£000</b> |
| Cash at bank and in hand         | 11          | 14          |
|                                  | <hr/>       | <hr/>       |
| <b>Cash and cash equivalents</b> | <b>11</b>   | <b>14</b>   |
|                                  | <hr/> <hr/> | <hr/> <hr/> |

**8 Current liabilities**

|   | <b>2017</b> | <b>2016</b>  |
|---|-------------|--------------|
|   | <b>£000</b> | <b>£000</b>  |
| Amounts due to subsidiary undertakings  | 37          | 43           |
| Trade payables                          | 300         | 162          |
| Other payables                          | 21          | 61           |
| Accrued liabilities and deferred income | 139         | 161          |
| Convertible loan notes                  | <hr/> -     | <hr/> 1,600  |
|   | <b>497</b>  | <b>2,027</b> |
|   | <hr/> <hr/> | <hr/> <hr/>  |

**Presented as:**

|             |     |       |
|-------------|-----|-------|
| Current     | 497 | 2,027 |
| Non-current | -   | -     |

Included within trade and other payables is £nil (2016: £nil) expected to be settled in more than 12 months.

Accrued liabilities and deferred income represents miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the period end and income received during the period, for which the company had not supplied the goods or services at the end of the period.

The Directors consider that the book value of trade payables, accrued liabilities and deferred income approximates to their fair value at the balance sheet date.

**9 Capital and reserves**

The movements on share capital are disclosed in notes 21 and the movements in share premium in the Consolidated statement of changes in equity to the consolidated financial statements.

**10 Operating leases**

All operating leases have been included in note 25 in the Consolidated financial statements.

**11 Commitments**

*Capital commitments*

The Company had no contractual commitments to purchase tangible fixed assets as at 31 January 2017. (2016: £nil)

## 12 Employee benefits

### *Share based payments*

In the current period, there were no share based payments, other than existing share options for Directors as covered in the Consolidated financial statements in note 26.

## 13 Acquisitions of businesses

All acquisitions have been covered in note 2 of the Consolidated financial statements.

## 14 Related party disclosures

### *Identity of related parties with which the Company has transacted*

The transactions set out below took place between the Parent Company and its subsidiaries.

|                                       | <b>2017</b>  | <b>2016</b>  |
|---------------------------------------|--------------|--------------|
|                                       | <b>£'000</b> | <b>£'000</b> |
| <b>Management charge to</b>           |              |              |
| Prize Provision Services Limited      | 12           | 93           |
| <b>Balance included in debtors</b>    |              |              |
| Emex Consult Ltd                      | 1            | -            |
| Barrington Lewis Ltd                  | 3            | 8            |
| Emex Technologies Ltd                 | 4            | -            |
| <b>Balance included in creditors:</b> |              |              |
| Prize Provision Services Limited      | 18           | 95           |
| Soccerdome Limited                    | 20           | 20           |
| <b>Dividend received</b>              |              |              |
| Pay Corporation Ltd                   | -            | 750          |

### *Transactions with key management personnel*

Total compensation of key management personnel (including the directors) is covered in note 7 of the consolidated financial statements.

## 15 Subsequent events

All post balance sheet significant events have been covered in notes 2 and 27 of the Consolidated financial statements.

## 16 Controlling party

No single individual has sole control of the Company.