Boxhill Technologies plc

Annual report and financial statements

Registered number 04458947

31 January 2018

Company Information

DIRECTORS	Lord E T Razzall A J A Flitcroft C M Hyman A Rudolf
SECRETARY	A J A Flitcroft
COMPANY NUMBER	04458947
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Strategic report

The Directors present their Strategic Report on the Group for the year ended 31 January 2018.

Operating and Financial Review for the year ending 31 January 2018
The principal activities of Boxhill Technologies PLC are that of lottery administrators and the provision of payment processing products and services.

Performance in the Payments processing business in the year to 31 January 2018 was impacted by a number of regulatory changes limiting the volume of activity undertaken. These included the residual effect of the 2016 Visa and Mastercard geographical location regulations and then later in the year the impact of the industry wide preparation for, and the ultimate introduction of, MIFID II in early 2018.

During the year, the Group placed considerable focus and investment in enhancing the suite of payment technologies and related services that it offered its customers.

On 10 April 2017, the Company acquired all of the ordinary shares in Timegrand Limited satisfied in full by the issue of 500,000,000 ordinary shares. Timegrand Limited holds intellectual property and software, including a new 10-year licence, granted on 10 April 2017, to use an advanced payment gateway software system known as the WPJ Services Control Centre, with advanced analytics and security/fraud management as well as finance and administration services. The acquisition of the Timegrand software asset further enhances the offering of the Payments Division bringing about improved efficiencies between our delivery and internal back office functions.

In July 2017 EmexGo started issuing Virtual IBANs, with development of the full functionality completed in November 2017, meaning that its customers are able to supply their account information in standardised international bank account format, with the customer as the named beneficiary, to receive inward and make outward payments. Available in multiple currencies this important improvement makes Emex's services user friendly and therefore more attractive to those wishing to use alternative payment platforms by utilising internationally understood account formats which other providers are unable to do.

Also in July 2017, a high value transfer service, facilitating transactions in excess of €10,000,000, for corporate and individual customers was launched. The service takes into account the additional care and attention that such low frequency but high value transactions require to complete smoothly.

While both the EmexGo and high value transfer services were subsequently disposed of on 30 July 2018, the know how has been rolled over into the new Market Access service (as described in the post-balance sheet events).

Prize Provision Services Limited (PPSL) is licensed by the UK Gambling Commission as an External Lottery Manager (ELM) to provide administration services to societies. It administers all aspects such as lottery draws, prizes, player accounts, financial and data administration required by law to run a lottery.

During Summer 2017, the Board committed to investment in the lottery in order to stimulate growth in this business. Following this decision, PPSL completed a thorough operational overhaul which reviewed all aspects of internal processes and the services provided to clients.

Furthermore, in November 2017, PPSL launched the Sports Club Lottery website to better support the large number of sports clubs it provides services for and allow a specific focus on sporting societies across Great Britain.

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
• EBITDA
• Profit before 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.

As the business grows and increases its expenditure on internally generated and externally purchased tangible and intangible assets, resulting in increased depreciation and amortisation, the business has moved to measuring performance using EBITDA as it provides a better measurement of underlying operational performance.

EBITDA is defined as profit before tax, net finance costs, depreciation and amortisation.

Financial Summary

For the full year to 31 January 2018 the Group incurred an EBITDA loss of £1,628,000 compared to an EBITDA profit of £38,000 for the year ended 31 January 2017.

In summary, for the year to 31 January 2018 the Group performance was as follows:

Revenue : **£1,367,000 (2017: £1,727,000)**
Gross Profit : **£914,000 (2017: £1,165,000)**
EBITDA : **Loss of £1,628,000 (2017 : Profit of £38,000)**
Depreciation & Amortisation : **£122,000 (2017 : £26,000)**
(Loss)/profit before tax **: Loss of £1,751,000 (2017: Profit of £2,000)**

As can be seen in note 3, the overall loss after tax is comprised of a small loss of £16,000 (2017: profit of £46,000) in the Lottery business and a loss of £1,147,000 (2017: Profit of £337,000) in the Payment processing businesses, further reduced by unallocated central costs of £588,000 (2017: £381,000).

Performance in the payments processing business in the year to 31 January 2018 was impacted by a number of regulatory changes limiting the volume of activity undertaken. These included the residual effect of the 2016 Visa and MasterCard geographical location regulations and then later in the year the impact of the Industry wide preparation for, and the ultimate introduction of, MIFID II in early 2018.

Despite lower than anticipated revenue, particularly during the first half of the year to 31 January 2018, the payment processing business maintained its infrastructure and invested in a number of internally developed systems and licences including the high value transfer service and the introduction of virtual IBANS to Emexgo customers. During the year, the Group recorded amortisation expense on internally generated and acquired intangible assets of £120,000 (2017: £26,000).

The Board, upon analysis of expenditure and a review of the underlying performance of Emex, found that the team in Malta had failed to deliver either the growth in revenues or the cost savings required to ensure that the company operated at an acceptably profitable level. The anticipated returns on investments in people, travel and expenses were not delivered. The Operations Director and the support team (with a few exceptions) were acting imprudently, without reference to and inconsistent with The Company’s strategy of broadening its customer base across several industries, consolidating certain business under the Emex brand and in particular back end support and delivery services for the FX market as well as FX services for existing clients. The Board had been anticipating capitalising significant expenditure during the year relating to the development of internal systems, but on subsequent review, concluded it was not appropriate to do so. This expenditure significantly increased the reported loss compared to the prior year.

Following the previous year’s consolidatory work, PPSL implemented its growth strategy for the business. In addition to the continued development of client services, 2018 saw the launch of the Sports Club Lottery designed to support sporting societies raise money through their own lottery. All sports societies who the company provides services to are listed on the Sports Club Lottery website and several new societies have already signed up.

As a result, the trend of reducing revenue experienced in the Lottery segment for several years was halted in Autumn 2017, with small month-on-month revenue growth experienced in the last couple of months of the year to 31 January 2018, and this trend is expected to continue through future periods.

Costs remained relatively stable in the year to 31 January 2018 compared to the prior year.

During the year to 31 January 2018 trade and other receivables increased by £1,276,000, driven by the investment in the high value transaction service with Phillite D UK Limited as announced to the market in November 2017. In addition, the client balances within other payables (as can be seen in note 19) increased by £4,740,000 due to an increased volume of client funds held in EmexGo, the Group's digital wallet services. Together these were the major drivers of the increase in bank and cash balances as at 31 January 2018 to £2,151,000 (2016: £818,000), offset by cash absorbed in the operating activities.

Post Balance Sheet events

Launch of Market Access Limited
During 2018, Boxhill Technologies plc established Market Access Limited ("Market Access") as a wholly owned subsidiary to operate a foreign exchange and treasury services business and provide payment processing to low risk clients, with the intention of generating a more stable growth pattern than had been seen with Emex's traditional customer base. Additionally, the management will be based in London and will benefit from the additional direct support the Board and the team based there can offer.

Investment in technology has continued through 2018, with the development of a software system called M3 Market Access. This system is a specialist application for treasury and FX operations. There are two primary offerings:

1. FX Broker – an in-house treasury management platform that allows for front, middle, and back office functions

2. Customer Online – a cloud based portal which enables end users to place trades and review activity

In October 2018, a beta version of Customer Online was released to a handful of clients and a full production release was made in November 2018.

Furthermore, and following the sale of the Emex companies to MDC Nominees Ltd, Market Access has undertaken a review of gateway solutions available in the market. As a result, Market Access will operate its processing business through ICS, a gateway platform with a strong global presence and a link to over 800 acquiring banks worldwide. In the short-term, Market Access will lease the platform, with a view to creating a stronger relationship/joint venture in the future.

Market Access is led by Mark Harris who brings a great deal of experience in FX. Mark has significant sales experience, principally in FX companies such as Travelex and Baydonhill (which was sold to Earthport PLC) and more recently has held a successful career consulting to several fintech and payments companies.

Issue of Equity
On 23 April 2018 (admitted to trade on AIM with effect from 30 April 2018), new shares totalling 410,000,000 Ordinary Shares of 0.1 pence each ("Ordinary Shares") were issued in settlement of amounts invoiced:
1. 140,000,000 Ordinary Shares for consultancy fees totalling £140,000 from Moorhen Limited, a company controlled by Phil Jackson, in relation to his contracted ongoing role within the payment services division of the Group.
2. 10,000,000 Ordinary Shares for consultancy fees totalling £10,000 from FS Business Limited, a company controlled by Andrew Flitcroft, in relation to his contracted services as Finance Director and company secretary of the Group.
3. The Board has agreed contractual terms with John Botros trading as St. James Street Chambers in relation to the legal work involved in the integration of Timegrand Limited with the newly established Market Access in February 2018 and post-acquisition dealings with the Gambling Commission for a total consideration of £100,000.
4. The Board has agreed contractual terms with Bluedale Corporate Limited in relation to the corporate finance work involved in the establishment of Market Access Limited (announced on 28 March 2018) and post-establishment activities for a total consideration of £160,000. Bluedale is a company controlled by John Botros.

Also, on 23 April 2018, share options were granted to Directors and key management totalling 60,000,000 at an exercise price of 0.1 pence per share and a life of 5 years. Included in the Options were 20,000,000 granted to Arno Rudolf and 20,000,000 to Clive Hyman, who are both directors of the Company. The Directors' Options were not a contractual entitlement and have been granted to reward additional work undertaken.

On 9 May 2018 (admitted to trade on AIM with effect from 14 May 2018), new shares totalling 50,000,000 Ordinary Shares of 0.1 pence each were issued in settlement of invoices for consultancy fees totalling £50,000 from Nineteen Twelve Management Limited, a company controlled by James Rose.

Disposal of Subsidiaries
Following a substantial decline in certain payment processing revenues during Q2 2018 due to a requirement by particular banks to change the nature of transactions they are willing to deal with following regulatory changes mentioned above, the business announced a re-structuring of the Group (as described in the Directors' report on page

6). On 30 July 2018, the Group separated the provision of payment services to Non-Conforming Customers from the rest of the Group through the sale of Emex (UK) Group Limited, Emexconsult Limited and Emex Technologies Limited to MDC Nominees Limited. This included the disposal of all assets and liabilities that formed part of the Payment Processing operating segment as at and for the year ended 31 January 2018. Further details are described below.

The consideration for Emex was £2,000,000, satisfied through the issue by MDC Nominees Limited of the Loan Note, which has the following key terms:

- Amount - £2,000,000
- Term - 10 years
- Interest rate - 0 per cent
- Security - A debenture over the issued share capital of Emex Technologies Limited, Emexconsult Ltd, Net World Limited and Emex (UK) Group Limited
- Repayment - by way of the establishment of a sinking fund into which the net revenues of Emex resulting from the customers left in place at the time of the transaction or any new Non-Conforming Customers referred by Market Access shall be transferred on a monthly basis and used for general working capital purposes and any balance outstanding at the end of 10 years, after the above sinking fund has been extinguished, by MDC Nominees Limited.

As part of the Transaction, whilst Non-Conforming Customers of Emex remained with the Emex Group Conforming customers were given the opportunity from October 2018 to engage with Market Access Limited as part of the transaction, clear of any liabilities. In consideration of this arrangement for the Conforming Customers, Boxhill agreed to issue 100,000,000 Shares to MDC.

Under the terms of the Transaction, Market Access continues to have an ongoing commercial relationship with Emex, with Market Access referring any new Non-Conforming Customers to Emex, and Market Access providing certain ongoing support services to Emex. Once the Loan Note is fully repaid, Market Access will receive a commission of 50 per cent of the net revenues resulting from the Non-Conforming Customers both in place at the time of the Transaction and those subsequently referred to Emex by Market Access.

The Board believes that this transaction will be financially beneficial to the Group. While profits will be reduced in the short-term until Market Access becomes more established, the structure of the transaction will be neutral in terms of Group cashflow in the short-term. The separation of the Conforming Clients from the Non-Conforming Clients is anticipated to lead to improved banking relationships for the Group, which in turn should generate financial benefits over the medium term. Furthermore, these businesses were in a significant net liabilities position which had arisen from the working capital shortfall between cash balances and client fund liabilities in EmexGo. Therefore, their disposal helps to establish a better balance sheet position for the continuing Group. Subsequent to the disposal, Emex Technologies Limited has entered into administration. The Directors, having taken external legal advice, are satisfied that the Group has no further obligations or liabilities related to this matter.

MDC Nominees Limited is owned by John Botros, a director of certain Group subsidiaries and, with persons closely associated (as defined under the Market Abuse Regulation), a substantial shareholder (as defined by the AIM Rules) of Boxhill. The Transaction therefore constituted a related party transaction under the AIM Rules.

Suspension of Shares
On 1 August 2018 trading in the Company's ordinary shares of 0.1 pence each ("Ordinary Shares") were suspended on AIM. This was as a result of the Company being unable to finalise the annual report and consolidated accounts for the year to 31 January 2018. As stated in the announcement to the market on 1 August 2018, certain outstanding information from one of the Company's banks remained outstanding along with the final risk review relating to the high value transfer service ("HVTS") announced on 28 July 2017. Whilst the final risk review for the HVTS was resolved in early September 2018 (and announced to the Market on 17 September 2018), the obtaining of the necessary information related to a bank account in the name of Networld Ltd proved much harder than originally expected. Following the dismissal of a former subsidiary director (the "FSD"), a change to the bank account mandate for this bank account (where the FSD was the sole authorised signatory) was not possible.

These issues have also delayed the introduction of payment processing services by Market Access and the receipt of amounts from MDC Nominees Limited.

As a result of this and upon further investigation, the Board, in consultation with our advisers, considered whether Networld Limited (incorporated during the year) is a subsidiary of the Group. We concluded that the Group did not control Networld Limited as it was never owned by the Group, had not delivered any revenues to the Group, and had been operated as a separate business over which the Group did not and could not exercise control. As a consequence, in accordance with relevant accounting standards, Networld Limited has not been consolidated within the accounts of the Group and it is not disclosed as a subsidiary owned by the Group (at any point from its incorporation during the year ended 31 January 2018).

During the intervening time period between suspension and the signing of these consolidated statutory accounts to 31 January 2018, a review of the Company has been successfully undertaken with the company's Nominated Advisor, Allenby Capital Limited, prior to the lifting of the suspension of trading on AIM following the publication of these accounts and in accordance with the AIM Rules for Companies.

It is therefore anticipated that following the publication of these accounts, along with those for the six months to 31 July 2018, the suspension of share trading will be lifted and the Company's shares will then continue to trade on AIM.

Change in Senior Management/Board
Graeme Paton – joins The Board as Chief Executive Officer
Cath McCormick – joins The Board as Finance Director
Ryan Porter – Removed from all subsidiaries
Andrew Flitcroft – steps down from the Board on 1 February 2019, but remains as Company Secretary

Having overseen the reorganisation of the business, including the sale of Emex to MDC Nominees Ltd, Lord Razzall and Clive Hyman will not seek re-election at the AGM expected to be held in June or July 2019.

In order to deliver improved centralised and fewer regional controls the company is opening new operational offices in London and senior staff based in UK will have direct operational and financial responsibility for overseas operations, ensuring changes in focus are reflected quickly and directly in our domestic and overseas activities and continue to support our clients as changes in regulations and technology mean that we must remain agile and open to change as the market develops in a post Brexit world.

Lottery Product Offerings

In April 2018, Prize Provision Services Ltd (PPSL) entered into an agreement with one of the UK's largest membership organisations. The size of the opportunity generates an opportunity to significantly increase the size of the lottery business on its own.

PPSL will provide lottery administration, marketing and promotional services along with a standalone website operated under a bespoke brand.

The minimum viable product launched on December 1st, 2018 and the first players entered into draws in January 2019.

In addition, a scratch-card product has recently been launched which will be available to all lottery clients. The product offers further choice and flexibility to all clients to be able to produce a product which both immediately appeals to their supporters while giving a good profit margin.

Expected to retail at £1 with a £1,000 top prize, the scratch-cards are expected to best benefit those societies who regularly meet face to face with supporters in any environment and offer an impulse purchase which a subscription lottery does not.

In addition, there is a strong pipeline of new Weather Lottery and Sports Club Lottery charities and societies.

Operational Summary
The Board has demonstrated its commitment to resolving the operational challenges faced through the year to 31 January 2018 and also the issues highlighted by the suspension in shares in August 2018.

The Board has embarked on a programme of improvements across the entire business, with a focus on control, agility and delivery. There are immediate and planned changes to The Board, the first of which are two executive appointments. Furthermore, the Company is moving all operational controls into the UK and a new operational office is being established in London, with improved facilities and space so that all operations can be based in one place.

Outlook

Payment Services

The enhancements in technology and strong product offerings, combined with the link to MDC Nominees Ltd for high risk clients, positions Boxhill Technologies Plc as one of very few fintech companies that can offer a true alternative to traditional banking. Customers can open accounts with IBANs in their names, send and receive money worldwide either on a peer to peer basis, via bank wire or even directly to any card issued by a recognised issuer, and now they are able to manage their foreign exchange and treasury needs all in one place.

Working with low risk clients, enables Market Access to partner with a wider network of acquiring banks, as Market Access is unencumbered by the strict criteria that acquiring banks place on high risk traffic. This should help to facilitate stronger and longer acquiring bank relationships.

The extensive network of clients that Mark Harris brought with him, combined with an increasing number of new clients that had previously been put off doing business with Boxhill Technologies plc, provides a strong pipeline of opportunity. Typical Market Access clients include other FX companies (for technology), family offices, sports and bloodstock companies, international property developers and start-up companies across a range of industries.

Lottery

PPSL has completed roll out of a number of technology improvements and rolled out the Sports Club Lottery focused on raising funds for sports clubs including over 100 league and non-league football clubs, alongside the Weather Lottery which supports hundreds of local and national health and education programmes.

In November 2018 PPSL announced that it is to operate the lottery for on the UK's largest membership organisation. Already players are being recruited despite only being at soft launch stage. 2019 will see a number of player recruitment activities in order to raise funds for the organisation's benevolent fund. This includes dedicated online and offline marketing activity and inclusion of lottery information with recruitment and membership initiatives.

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 £3,121,436 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.
As announced on 31 October 2017, the historic legal matters surrounding the Company's relationship with its former regulated payment processor, EUPay Group Limited ("EUPay") has been settled. Phillite D UK Limited has independently of the Company taken responsibility for the amounts owed by EUPay to the Group. As a result of the settlement, Phillite D UK Limited is now in a position to pursue the collection of these amounts without any hindrance from litigation. This will facilitate the repayment of the amounts outstanding to the Group.

Going concern

As a result of the challenges faced by the business in recent periods, and as a result of the restructuring undertaken in the last year, the Group is in the relatively early phases of its longer-term strategy and has generated losses in the year ended 31 January 2018 and subsequently. As a result, there is a risk that it is not able to achieve the forecast growth in revenue, profits and cash flows and as a result it may not be able to continue as a going concern. Further details are provided in the Directors' Report on page 11 and in Note 1 to the financial statements.

By order of the board.

A J Flitcroft 29 January 2019
Director

Lord E T Razzall 29 January 2019
Chairman

Directors' report

The Directors present their Report and Financial Statements for the year ended 31 January 2018.

Principal activities
The principal activity of the Company is that of a holding company including undertaking certain head office functions and Plc related activities for the Group.

The principal activities of the Group in the year to 31 January 2018 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 23 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.
During the year there was a significant investment in research and development, with £586,000 being spent in the year to 31 January 2018. The spend included investment in software that enables customers of EmexGo to be issued with Virtual IBANs and the creation of a high value transfer service.
Internal development was complemented by the acquisition of the Timegrand software asset, with reporting and analytics that 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 23 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 2018 (year ending 31 January 2017: £nil).

Directors
The directors who held office during the year were as follows:
Lord E T Razzall
A J A Flitcroft
C M Hyman
A Rudolf

Directors' interests in shares and warrants
The Directors who held office during the year ended 31 January 2018 had the following interests in the shares of the Company, including family interests:

	Ordinary shares of 0.1p each	
	At 31 January 2018	***At 31 January 2017***
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:

	Number	*Exercise price*	*Exercise period*
Lord E T Razzall	3,200,000	0.75p – 1.25p	8 June 2010 – 2 June 2017

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

	Salary, fees & benefits in kind	*Bonus*	*Pension contributions*	*Total*
	£'000	£'000	£'000	£'000
Lord E T Razzall	24	-	-	24
A J A Flitcroft	33	-	-	33
C M Hyman	20	-	-	20
A Rudolf	20	-	-	20

Substantial shareholdings
As at 31 January 2018 the Group has been notified of the following substantial holdings (3% or more) of ordinary 0.1p shares:

	Percentage holding	***No. of shares***
Empire Global Management Ltd	21.2%	500,000,000
Management Express Ltd	10.1%	236,656,580

Since the period end and to the date of approval of this report, there have been movements in both the number of shares in issue and the substantial holdings - as at 27 July 2018 the company had been notified of the following substantial holdings (3% or more) of ordinary 0.1p shares:

	Percentage holding	***No. of shares***
Empire Global Management Ltd	17.8%	500,000,000
John Botros [1]	10.9%	306,236,391
James Rose [2]	10.2%	286,656,580
Moorhen Ltd [3]	5.0%	140,000,000

1. Includes shares held by Bluedale Corporate Limited a company J Botros controls, and 46,236,391 held by J M Malone, Mr Botros' wife. Mr Botros is a director of Emex Technologies Limited, Barrington Lewis Limited and Soccerdome Limited, all wholly owned subsidiaries of the Group.
2. Includes shares held by Management Express Limited, a company owned by James Rose, a director of Prize Provision Services Limited, a wholly owned subsidiary of the Company
3. A company controlled by Phil Jackson.

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 20 and note 23 provides information on the Company's capital management. 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 2018 or the year to 31 January 2017.

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 2018, the Group had an average of 102 days (2017: 80 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. Furthermore, IAS 1 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Throughout the financial statements there are various disclosures relating to Group funding and operational risks.

As disclosed in the Strategic Report on page 2, the Directors have undertaken a significant restructuring of the Payment Processing business subsequent to 31 January 2018 as a critical part of the Group's strategy. As a result of the challenges faced by the business in recent periods, and as a result of this restructuring, the Group is in the relatively early phases of its revised longer-term strategy and has generated losses in the year ended 31 January 2018 and subsequently.

The two key elements of the restructuring that impact going concern are the disposal of Emex (UK) Group Limited on 30 July 2018 and the launch of the new Market Access business during 2018.

Following the disposal of the Emex businesses to MDC Nominees on 30 July 2018, the Group has disposed of the majority of its outstanding amounts owing to customers, along with certain trade receivables and cash balances. The impact is an improvement from the net current liability position at 31 January 2018 to a net current asset position at 30 July 2018 and a relatively modest fixed cost base for the group.

The launch of Market Access is a critical element of the future of the Group's Payment Processing business. The Directors have prepared cash flow projections for the period to 31 October 2020, which indicate that the Group will generate significant revenue, profit and cash inflows within a short period of time. In particular, the projections demonstrate that the Group will be able to address current cash flow shortfalls, and that it will be able to meet its liabilities as they fall due for the foreseeable future.

The Directors are therefore confident that, following the disposal of the Emex businesses and the launch of Market Access, the Group will be able to generate sufficient resources from its trading to meet the Group's future cash flow requirements and settle its liabilities as they fall due. Therefore, the Directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future and they consider it appropriate to adopt the going concern basis in preparing the financial statements.

However, given that the Market Access business has only recently been launched and there is therefore limited track record of revenue, profit and cash flow generation, the substantial achievement of the Group's cash flow forecasts represents a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. The Group and the Parent Company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business, but the financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

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) for the purposes of improving information flow to shareholders as well as potential investors.

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.

Subsequent Events

Issue of Equity
On 23 April 2018 (admitted to trade on AIM with effect from 30 April 2018), new shares totalling 410,000,000 Ordinary Shares of 0.1 pence each ("Ordinary Shares") were issued. Further information can be found in the Strategic Report on page 3.

Suspension of Shares
On 1 August 2018 trading in the Company's ordinary shares of 0.1 pence each ("Ordinary Shares") were suspended on AIM. This was as a result of the Company being unable to finalise the annual report and consolidated accounts for the year to 31 January 2018.

It is anticipated that following the publication of these accounts, the suspension of share trading will be lifted and the Companies shares will then continue to trade on AIM.

Further information can be found in the Strategic Report on page 1.

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.

By order of the board

A J A Flitcroft
Director

29 January 2019

39 St James's Street
London
SW1A 1JD

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Statement
The Board seeks to follow best practice in corporate governance to the extent appropriate to the Company's size, nature and stage of development and in accordance with the regulatory framework that applies to AIM companies. Starting 28 September 2018 all AIM companies are required to comply with a recognised corporate governance code. Boxhill Technologies plc has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code which was published in April 2018 for this purpose.

The QCA Code identifies ten principles to be followed in order for companies to deliver growth in long term shareholder value. Details of how Boxhill Technologies plc addresses key governance principles as defined in the QCA code are set out below.

The Board and its Committees
The Company is led by a Board comprising Non-Executive and Executive Directors. The appointment of Directors is considered by the Nomination and Remuneration Committee and then the Board.

The Board convenes a minimum of eleven times a year, approximately monthly, and more frequently where business needs require. The Board does not have a schedule of matters specifically reserved to it for decision-making, but its responsibilities include matters such as:

- Strategy
- Contracts and trading
- Material capital commitments
- Financial issues
- Approving management and statutory accounts
- Risk identification and assessment

This enables the Directors to review corporate strategy and the operations and results of the business and to discharge their duties within a framework of prudent and effective controls relating to the assessment and management of risk.

The Board of Directors includes two Directors who are considered by the Directors to be independent for the purposes of the QCA corporate governance code, Clive Hyman and Arno Rudolf.

The Group has an Audit Committee, Remuneration Committee, Compliance Committee, Nominations and an Operations Committee as below. Each committee has terms of reference. All committees include a chairman and at least one additional director.

The Audit Committee
Chaired by Clive Hyman with Arno Rudolf as a member, receives and reviews reports from management and the Group's auditors relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

The Remuneration Committee
Chaired by Arno Rudolf and Lord Razzall as a member, reviews the scale and structure of the Executive Directors' remuneration and the terms of their contracts. The terms and conditions of appointment of the non-executive directors (including remuneration) are set by the Board. The Remuneration Committee also advises on staff remuneration and administers the Company's share option schemes.

The Nominations Committee
Chaired by Lord Razzall and Arno Rudolf and Clive Hyman as members. Its role is to consider appointments to the Board.

The Compliance Committee
Chaired by Lord Razzall and Clive Hyman as member, has the primary responsibility for ensuring compliance with the AIM Rules for Companies concerning the disclosure of information. The Compliance Committee works closely with the Board to ensure that the Company's Nominated Adviser is provided with any information it reasonably requests or requires in order that it may carry out its responsibilities under the AIM Rules.

The Operations Committee
Chaired by Philip Jackson, with the Finance Director and other senior management from across the business including, Sales, Finance, Operations and IT as members.

The Operations committee provides review, guidance and oversight for the operational areas of the business whilst providing strategic insight to operational processes and issues.

The committee meets on a monthly basis to review the progress, updates and other issues arising during the month, and to provide feedback and suggestions to senior management.

The Operations Committee in turn updates the Board on a monthly basis.

Key QCA Principles
The QCA has identified ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created.

In order to adopt the QCA Code it is necessary for a company to apply the ten principles and also to publish certain related disclosures. Detailed below for each principle is a clear explanation of how the company applies the QCA Code (the corporate governance statement). The corporate governance statement is included on the Company's website.

1. Establish a strategy and business model which promote long-term value for shareholders
Boxhill Technologies plc is a diversified company delivering best in class products across Lottery and eCommerce. Each of our divisions enjoys long standing relationships with blue chip clients including household names and leading charities.

Boxhill will continue to deliver or acquire new products and businesses, with a particular focus on gaming and lotteries and payment processing, underpinned by a solid asset base. Boxhill will deliver innovative best of class solutions for our clients within a structured corporate governance environment and strategic vision whilst balancing the need for systems and procedures yet still allowing flexibility and entrepreneurship in order to grow the Boxhill group of companies. Key challenges to the execution of our strategy is the large size of certain of our competitors and a rapidly evolving regulatory and technical environment.

The key risks faced by the Group can be found in the Strategic report on p6
2017.

2. Seek to understand and meet shareholder needs and expectations
The Company ensures it is contactable by investors through a dedicated email address together with the company's address and phone number which can be found on the Company's website, which is readily accessible to shareholders. The primary contact point for investor relations is Lord Razzall.

In addition, the company has twitter account @boxhillplc that shares economic news as well as occasional company updates.

The company holds an AGM to which all members are invited. The AGM is the main forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and time is set aside specifically to allow questions from attending members to any board member. The Board encourages constructive feedback from its shareholders on their needs and expectations for the Company through the question and answer sessions at its annual general meeting.

For each vote, the number of proxy votes received for, against and withheld is announced at the meeting.
The company believes this has been a successful strategy to date demonstrated by the proportion of shareholders that vote at each AGM. The results of the AGM are subsequently published on the Company's corporate website.
We seek at all times to provide open and realistic communications with shareholders while ensuring compliance with our regulatory obligations.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Company believes that, in addition to its shareholders, suppliers, clients and regulatory partners, its employees are the main stakeholders. We continually work to improve our employment practices and create a rewarding environment for all employees. Additionally, we invest in training and development for employees and management and believe in diversity in the workplace.

Employee development is encouraged with regular mentoring and training sessions provided. Staff performance is recognised by management and feedback is encouraged from employees either with management or on a confidential nature with HR. Furthermore, feedback from customers and clients is sought and shared with all employees.

The Company has an open and compliant approach to its dealings with the regulators concerned with the admission of the Company's shares to trading on the AIM Market. The Board seeks to identify suppliers that provide the right balance of capabilities and cost and are identified purely on an arms-length commercial basis. The Company's suppliers will be paid in line with agreed payment terms and the Board will act in an ethical manner in all dealings and expect the same from its suppliers.

The Board recognises that as it develops, there will be wider stakeholder and social responsibilities which will have to be taken into account, in particular in relation to the communities in which it becomes active. The Board will seek constructive feedback from all its stakeholders and Clive Hyman has been designated as the Non-Executive director to whom any stakeholder may provide open and confidential feedback as and when the shareholder determines.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Board identifies and addresses all risks based on a considered assessment of the likelihood of a risk occurring and the magnitude of the risk to the Company were it to occur, from both an upside and downside perspective. 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.

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 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.

Audit, risk and internal control
Financial controls
The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.
- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls, including the review of results of work performed by the Group controls function.
- The Operations Committee assists the Board in terms of reviewing operational activity, processes and financials.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.

Non-financial controls
The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:
- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes decision-making and rapid implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget
- Central control over key areas such as capital expenditure authorisation and banking facilities

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available.

5. Maintain the board as a well-functioning, balanced team led by the chair
The board of Boxhill Technologies plc currently comprises two Executive Directors, one being the Chairman, and two independent non-executive Directors. The appointed Company Secretary is one of the Executive Directors who possesses the relevant experience to perform this function. The Company actively continues in its search for the best candidate to perform the chief executive officer role for the Group.

The Board is considered to be of an appropriate size to comply with relevant Corporate Governance requirements and enable efficient decision making.

The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During the year eleven Board meetings took place. These were held at the Boxhill Technologies Plc head office in London.

The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. It is acknowledged that each Board member must have the appropriate available time necessary to fulfil their roles. The Board is committed to convening a minimum of ten times a year, with additional committee meetings for the Audit, Remuneration nominations and Compliance Committees held annually and more frequently as required. The Operations Committee is held monthly. The Chairman assisted by the Senior Independent Director (Clive Hyman) take a position of leadership on all matters of Corporate Governance. They are supported in this by the Company Secretary, who ensures that the Board (and any Board Committees) are provided with high quality information on a timely manner in order to facilitate a proper assessment of the matters requiring a decision or insight.

The following directors are regarded as independent:

- Clive Hyman
- Arno Rudolf

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
The Directors of the Company have been chosen because of the skills and experience they offer. Full biographical details are included on the Company's website.

The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience. The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.
In Autumn 2017, the Board sought legal advice on from DAC Beachcroft with respect to the AIM Rules regarding related parties.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Details of each director's relevant experience, skills and personal qualities can be found here https://boxhillplc.com/about-us/. Each board member keeps their skills up to date through a combination of courses, continuing professional development through professional bodies and reading.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
The Company undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports and works with is corporate advisors to ensure standards are of an appropriate level for a publicly quoted company. The relevance of the key performance indicators are reviewed on an annual basis

and amended as required. Furthermore, ad-hoc reviews are undertaken as and when changes to the business model and performance demand.

In addition, the Board annually reviews its own performance as a whole and of each individual Director. The performance of each Committee is also assessed and guidance and or improvements are made where and when considered appropriate and necessary. These evaluations were not undertaken in previous years. It is intended that these evaluations shall be undertaken annually, after the end of each financial year but prior to the publication of the respective annual report and accounts.

The Board also considered and ensures that each Director has the appropriate skills, knowledge, experience and qualifications to be able to perform his or her duties to the highest standard required.

Having overseen the reorganisation of the business, including the sale of Emex to MDC Nominees Ltd, it is the intention of Lord Razzall and Clive Hyman not to seek re-election at the AGM in July 2019. In addition, a number of other Board changes will take place with Andrew Flitcroft stepping down as Finance Director on 1 February 2018 and Graeme Paton and Cath McCormick joining the Board as Chief Executive Director and Finance Director respectively.

The Company's approach to succession planning is to bring talented individuals into the group at an operating level with the objective of their graduating to Board level in due course. The Board conducts a review of the company "bench strengths" whenever there is a business change that may lead to an additional skill set requirement, and furthermore, to identify any alterations that need to be made in the succession management system in terms of competencies and development programs. This enables the organization to capitalise on potentially lucrative changes in the business environment.

8. Promote a corporate culture that is based on ethical values and behaviours

A strong corporate culture that is based on ethical values and behaviours is a key part to a successful company.

The Board has a clear vision and mission that it communicates clearly to staff. This vision and mission helps to give the management and employees of the company a clear and understandable purpose.

When organizations face changes, employees can become unsettled and distracted. The management works hard to motivate employees to face the challenges that seem to be difficult to win over; and provides support to keep their employees on track despite the difficulties.

There is a strong ethos of management reaching out and listening to the "employees voice" regarding management, departments, and colleagues. The feedback is received clearly, productively, and with sensitivity to a variety of personalities, temperaments, and cultures, thereby promoting a culture of sharing sentiments and knowledge; the organization also promotes a culture that shows genuine care for their employees.

Through communication, each employee understands what the Group is trying to achieve, what is the role that they play, and what responsibility do they shoulder. Employees who know what their purpose is and adapt their decisions to that purpose. There is a strong team mentality, with employees working together to achieve the same goals.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area.

An open culture is encouraged within the Group, with regular communications to staff and staff feedback regularly sought. The Executive Committee monitors the Group's cultural environment and seeks to address any concerns than may arise, escalating these to Board level as necessary.

The company carries out regular reviews of the performance of each employee and officer of the company.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The board of Boxhill Technologies plc currently comprises an Executive Chairman, one Executive Director (the Finance Director) and two independent non-executive Directors. The appointed Company Secretary is the Executive

Finance Director, a qualified Chartered Accountant with the relevant experience to perform this function. The board will actively consider adding additional members to the Board as and when the size of the Company requires.

The Board has overall responsibility for the management and success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-executive Directors are responsible for bringing independent and objective judgment to Board decisions.

The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Nominations and Corporate Governance Committee. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board has also established an Audit Committee, Remuneration Committee, Compliance Committee, Nominations Committee and an Operations Committee as above. Each committee has terms of reference. Memberships of the different committees is set out at the start of this statement. The terms of reference for the different committees can be viewed here https://boxhillplc.com/regulatory-news/aim-26-rule/.

Lord Razzell's participation in the remuneration and nomination committee is not regarded as best practice under the QCA Corporate Governance Code as he is an executive director. The Board however consider it appropriate due to the temporary nature of his executive appointment (while the Company seeks an appropriate chief executive) and the skills and experience which he brings.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board ensures that all stakeholders are kept up to date with the developments of the Company through the Annual Report and Accounts, half-year announcements, the Annual General Meeting (AGM) and trading updates throughout the year. The Board communicates with all shareholders and stakeholders through:

- email, letter and via the Company's website www.boxhillplc.com
- investor meetings
- financial updates including interim and annual audited accounts
- General Meetings of the Company including the Annual General Meeting

Furthermore, the Board encourages two way communication through the same channels and also maintains an open ear and receptive approach to shareholder comments.

The votes at all general meetings of the Company from 2018 will be published on the Company's website.

If any significant proportion of votes (>20% of independent votes) cast are against a resolution, the Board will provide an explanation on the same page of the action it intends to take.

Notices of all general meetings and annual report and accounts published by the Company for the last five years can be viewed on the Company's website, along with reports from each of the audit committee and remuneration committee

Lord E T Razzall
Chairman

29 January 2019

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. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and they 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, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operation or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

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.

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

1. Our opinion is unmodified

We have audited the financial statements of Boxhill Technologies Plc ("the Company") for the year ended 31 January 2018 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

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 2018 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group's and the parent Company's ability to continue as a going concern is dependent upon the substantial achievement of forecast cash flows. These events and conditions represent a material uncertainty that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The risk – Disclosure quality

Following a significant restructuring of the Group's Payment Processing business, the Group is in the relatively early phases of its longer-term strategy and has generated losses in the year ended 31 January 2018 and subsequently. Projections for the period to 31 October 2020 have been prepared, indicating that the Group has taken action to address current cash flow shortfalls, and that the Payment Processing business will generate profit and cash inflows within a short period of time, which will enable the Group and the Company to meet its liabilities as they fall due for the foreseeable future. The financial statements explain how the Directors have formed a judgement that it is appropriate to prepare the accounts of the Group and Parent Company on a going concern basis. However, the Directors have concluded that the factors discussed in note 1 represent a material uncertainty that may cast significant doubt regarding the Group's and parent Company's ability to continue as a going concern.

As this assessment involves a consideration of future events there is a risk that the judgement is inappropriate. Furthermore, clear and full disclosure of the of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Auditing standards require such matters to be reported as a key audit matter.

Our response

Our procedures included:
- ***Personnel interviews:*** inquiring of senior management and challenging the assumptions used in the Directors' forecast models, in particular those relating to forecast revenue, and corroborating these against available evidence by inspecting agreements signed with new and existing customers;
- ***Sensitivity analysis:*** we assessed reasonably possible downside scenarios that would result in the cash flow falling below operating expense requirements and considered whether they could be considered to be reasonably possible; and

— ***Assessing transparency:*** Assessing the going concern disclosure for clarity, including that there is disclosure of a material uncertainty.

3. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Key audit matter	The risk	Our response
Recoverability of Group goodwill and of parent company's investment in subsidiaries Group goodwill: £1,673,000 *(2017: £1,673,000)* Parent company's investment in subsidiaries: £1,344,000 *(2017: £1,902,000)* *Refer to page 33, 62 (accounting policy and page 44, 63 (financial disclosures)* Risk vs. 2017: ◄►	**Forecast-based valuation** The carrying amount of goodwill in the group and the parent company's investments in subsidiaries are significant and at risk of irrecoverability as the group does not have a track record of profitability and generated a loss in the current year. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: ***Benchmarking assumptions:*** Comparing the group's assumptions to externally derived data in relation to key inputs such as discount rates, growth rates and cost inflation; ***Sensitivity analysis:*** Performing breakeven analysis on the assumptions noted above and considering the likelihood that these thresholds would be reached; ***Comparing valuations:*** Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cashflows; and ***Assessing transparency:*** Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill in the group and the parent company's investment in subsidiaries.
Capitalisation of internally generated intangible assets £586,000 *(2017: £nil)* *Refer to page 34 (accounting policy and page 43 (financial disclosures)* New risk 2018	**Accounting treatment** The group capitalises external costs and eligible employment costs incurred in the development of software and establishment of regulatory licences as internally generated intangible assets. Judgement is required to determine whether the costs meet capitalisation criteria set out in the relevant accounting standards.	Our procedures included: ***Personnel interviews and our business understanding:*** Enquiring of management and the Board, and inspecting minutes of meetings, project timelines and status reports throughout the year, to support the eligibility of the costs for capitalisation in accordance with the relevant accounting standards; ***Accounting analysis:*** Comparing a sample of costs capitalised to the

		narrative on external invoices or internal reports of time allocation to analyse the nature of the costs and whether they meet capitalisation criteria per the applicable accounting standards.
Valuation of purchased Timegrand software asset £1,504,000 *(2017: £nil)* *Refer to page 34 (accounting policy and page 43 (financial disclosures)* New risk 2018	**Subjective valuation** The group purchased the Timegrand software asset on 10 April 2017 for consideration of 500m equity shares. The fair value of the purchased software asset has been calculated using a replacement cost valuation technique, which requires estimation of the cost of developing an equivalent software asset. As there is a significant level of judgement involved in estimating the fair value of the purchased software asset, we consider this to be a significant audit risk.	Our procedures included: ***Assessing the valuer's credentials:*** Evaluating the competence, independence, professional qualifications and experience of external expert used by the group; ***Methodology choice:*** assessing the results of the intangible asset valuation report by checking that the valuation was in accordance with relevant accounting standards and acceptable valuation practice; ***Benchmarking assumptions:*** Challenging the key inputs used in determining the valuation, in particular cost rates, by comparing them to externally derived data.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £12,400 (2017: £16,000), determined with reference to a benchmark of group revenue (of which it represents 0.91% (2017: 0.93%)). We consider group revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group loss/profit before tax.

Materiality for the parent company financial statements as a whole was set at £8,500 (2017: £7,000), determined with reference to a benchmark of company total assets, of which it represents 0.43% (2017: 0.24%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £600, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2017: 7) reporting components, we subjected 5 (2017: 5) to full scope audits for group purposes. For the residual 4 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for 100% (2017: 100%) of total group revenue, 100% (2017: 100%) of group loss before tax and 97% (2017: 99%) of total group assets.

All component audits, including the audit of the parent company, were performed by the Group team using component materialities, which ranged from £400 to £8,500, having regard to the mix of size and risk profile of the Group across the components.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 20 the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Simon Richardson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 January 2019

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for year ended 31 January 2018

	Note	**2018 £000**	**2017 £000**
Revenue	*3*	**1,367**	**1,727**
Cost of sales	*4*	(453)	(562)
Gross profit		**914**	**1,165**
Administrative expenses	*4,5,6*	(2,665)	(1,153)
Operating (loss)/profit		**(1,751)**	**12**
Financial expenses	*7*	-	(10)
(Loss)/profit before tax		**(1,751)**	**2**
(Loss)/Profit for the year from continuing operations		**(1,751)**	**2**
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation of equity investment – Soccerdome		(58)	(62)
Other Comprehensive (loss) for the year, net of income tax		**(58)**	**(62)**
Total comprehensive (loss) for the year		**(1,809)**	**(60)**
Earnings per share			
Basic earnings per ordinary share (pence per share)	*9*	(0.08)	0.00
Diluted earnings per ordinary share (pence per share)	*9*	(0.08)	0.00

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

The notes on pages 30 to 59 form part of these financial statements.

Consolidated Balance Sheet
At 31 January 2018

	Note	**2018** **£000**	**2017** **£000**
Non-current assets			
Property, plant and equipment	*10*	29	1
Goodwill	*12*	1,673	1,673
Other intangible assets	*11*	2,037	67
Investments in equity instruments	*13*	222	280
Total non-current assets		**3,961**	**2,021**
Current assets			
Trade and other receivables	*15*	3,225	1,949
Cash and cash equivalents	*16*	2,151	818
Total current assets		**5,376**	**2,767**
Total assets		**9,337**	**4,788**
Current liabilities			
Trade and other payables	*18*	7,142	2,283
Bank and other borrowings	*17*	6	6
Total current liabilities		**7,148**	**2,289**
Total non-current liabilities		**-**	**-**
Total liabilities		**7,148**	**2,289**
Net assets		**2,189**	**2,499**
Equity attributable to equity holders of the parent			
Share capital	*20*	2,356	1,856
Share premium	*21*	3,020	3,020
Merger reserve		999	-
Revaluation reserves	*13*	222	280
Retained earnings		(4,408)	(2,657)
Total equity attributable to equity holders of the Parent		**2,189**	**2,499**

The notes on pages 30 to 59 form part of these financial statements.

These financial statements were approved by the board of directors on 29 January 2019 and were signed on its behalf by:

A J A Flitcroft
Director

Company registered number: 04458947

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 January 2016	**1,456**	**1,820**	**-**	**342**	**(2,659)**	**959**
Issue of share capital	400	1,200	-	-	-	1,600
Profit for the period	-	-	-	-	2	2
Other comprehensive income	-	-	-	(62)	-	(62)
Balance at 31 January 2017	**1,856**	**3,020**	**-**	**280**	**(2,657)**	**2,499**
Issue of share capital	500	-	999	-	-	1,499
Loss for the period	-	-	-	-	(1,751)	(1,751)
Other comprehensive income	-	-	-	(58)	-	(58)
Balance at 31 January 2018	**2,356**	**3,020**	**999**	**222**	**(4,408)**	**2,189**

The notes on pages 30 to 59 form part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 January 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
(Loss) / Profit for the year		**(1,751)**	**2**
Adjustments for:			
Depreciation, amortisation and impairment	*10-13*	122	26
Financial expense	*7*	-	10
Movement in working capital:			
(Increase) in trade and other receivables		(1,275)	(1,028)
Increase in trade and other payables		4,859	1,536
Cash generated by operations		**1,955**	**546**
Interest paid		-	(10)
Tax paid		-	-
Net cash from operating activities		**1,955**	**536**
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(30)	(1)
Acquisition of intangible assets		(5)	(8)
Development expenditure		(587)	-
Net cash (used)/generated from investing activities		**(622)**	**(9)**
Net cash used in financing activities		**-**	**-**
Net increase in cash and cash equivalents		**1,333**	**527**
Cash and cash equivalents at start of period		818	291
Cash and cash equivalents at end of period		2,151	818

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

The notes on pages 30 to 59 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 60 to 65.

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 profits and losses on items that are not considered to be part of ordinary operating activities.

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 27.

1.1 Change in accounting policy

There have been no changes in accounting policies during the year to 31 January 2018.

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 date of adoption by the Group will be 1 February 2018 for the financial statements for the year ending 31 January 2019.

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 I January 2018. The date of adoption by the Group will be 1 February 2018 for the financial statements for the year ending 31 January 2019.

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.

IFRS 16 - 'Leases'

The standard is effective for reporting periods beginning on or after I January 2019. The date of adoption by the Group will be 1 February 2019 for the financial statements for the year ending 31 January 2020.

The assessment of IFRS 16's impact on the Group's financial statements has not yet commenced.

1.3 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. Furthermore, IAS 1 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Throughout the financial statements there are various disclosures relating to Group funding and operational risks.

As disclosed in the Strategic Report on page 2, the Directors have undertaken a significant restructuring of the Payment Processing business subsequent to 31 January 2018 as a critical part of the Group's strategy. As a result of the challenges faced by the business in recent periods, and as a result of this restructuring, the Group is in the relatively early phases of its revised longer-term strategy and has generated losses in the year ended 31 January 2018 and subsequently.

The two key elements of the restructuring that impact going concern are the disposal of Emex (UK) Group Limited on 30 July 2018 and the launch of the new Market Access business during 2018.

Following the disposal of the Emex businesses to MDC Nominees on 30 July 2018, the Group has disposed of the majority of its outstanding amounts owing to customers, along with certain trade receivables and cash balances. The impact is an improvement from the net current liability position at 31 January 2018 to a net current asset position at 30 July 2018 and a relatively modest fixed cost base for the group.

The launch of Market Access is a critical element of the future of the Group's Payment Processing business. The Directors have prepared cash flow projections for the period to 31 October 2020, which indicate that the Group will generate significant revenue, profit and cash inflows within a short period of time. In particular, the projections demonstrate that the Group will be able to address current cash flow shortfalls, and that it will be able to meet its liabilities as they fall due for the foreseeable future.

The Directors are therefore confident that, following the disposal of the Emex businesses and the launch of Market Access, the Group will be able to generate sufficient resources from its trading to meet the Group's future cash flow requirements and settle its liabilities as they fall due. Therefore, the Directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future and they consider it appropriate to adopt the going concern basis in preparing the financial statements.

However, given that the Market Access business has only recently been launched and there is therefore limited track record of revenue, profit and cash flow generation, the substantial achievement of the Group's cash flow forecasts represents a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. The Group and the Parent Company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business, but the financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

1.4 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.

1.5 Foreign currency

The individual financial statements of each Group company are prepared 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 the parent 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.

1.6 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 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.

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.

Investments in debt and equity securities whose fair value cannot be reliably measured are stated at amortised cost less impairment.

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.

1.7 Derivative financial instruments and hedging

At 31 January 2018 and 31 January 2017, the Group had no derivatives in place for cash flow hedging purposes.

1.8 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.

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. The estimated useful lives are as follows:

• office equipment	4 years
• vehicles	5 years

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

1.9 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.

1.10 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. 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.

Timegrand software

The Timegrand software, purchased in April 2017, is stated at fair value less accumulated amortisation and any recognised accumulated impairment losses. The useful life is reviewed annually by the Directors and is currently set to10 years reflecting the length of the lease purchased.

The fair value of the purchased software asset has been calculated using a replacement cost valuation technique, which required estimation of the cost of developing an equivalent software asset. This cost estimation was determined by an independent external software developer.

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
Software	3 to 10 years

1.11 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. 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 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.

1.12 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 over the vesting period 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.

1.13 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.

1.14 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.
- Payment processing revenue represents the consideration received or receivable from the merchants for services provided. Key revenue streams the company reports are transaction service charges that relate to services provided to process transactions between the customer and an acquiring bank, which is a bank that accepts card payments from the card-issuing banks. Revenue is recognised when the transactions are successfully processed and is recognised per transaction. Process fees are charged per transaction for providing gateway services.
- Digital wallet revenue is recognised at the point when a chargeable transaction occurs.

1.15 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.

Financing income and expenses

Financing expenses comprise interest payable and finance charges 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. 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.

1.16 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.

2 Segment Analysis

The primary reporting format is by business segment, based on the different services offered by the operating companies within the Group. 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 2018 is as follows:

	Lottery Admin	**Payment Processing**	**Unallocated**	**Group total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	**458**	**909**	**-**	**1,367**
Cost of Sales	**(243)**	**(210)**	**-**	**(453)**
Admin Expenses	**(229)**	**(1,726)**	**(588)**	**(2,543)**
Amortisation	(2)	(118)	-	(120)
Depreciation	-	(2)	-	(2)
Operating loss	**(16)**	**(1,147)**	**(588)**	**(1,751)**
Finance income/(costs)	**-**	**-**	**-**	**-**
Loss before tax	**(16)**	**(1,147)**	**(588)**	**(1,751)**
Tax	**-**	-	-	-
Loss for the period	**(16)**	**(1,147)**	**(588)**	**(1,751)**

The same analysis for the year ended 31 January 2017 was as follows:

	Lottery Admin	**Payment Processing**	**Unallocated**	**Group total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	**506**	**1,221**	**-**	**1,727**
Cost of Sales	**(252)**	**(310)**	**-**	**(562)**
Admin Expenses	**(206)**	**(566)**	**(353)**	**(1,125)**
Amortisation	(2)	-	-	(2)
Depreciation	-	(8)	(18)	(26)
Operating profit/(loss)	**46**	**337**	**(371)**	**12**
Finance income/(costs)	-	-	(10)	(10)
Profit/(loss) before tax	**46**	**337**	**(381)**	**2**
Tax charge	**-**	-	-	-
Profit/(loss) for the period	**46**	**337**	**(381)**	**2**

There has been an increase in unallocated overheads during the year to 31 January 2018 compared to the prior period, as the business grows its infrastructure and back office central support functions to support anticipated growth in future years.

Further analysis on the performance of each segment can be found in the Strategic Report on p1.

The balance sheet analysis as at 31 January 2018 is as follows:

	Lottery Admin	**Payment Processing**	**Unallocated**	**Group total**
	£'000	£'000	£'000	£'000
Balance Sheet				
Total assets	452	8,546	339	9,337
Total liabilities	345	6,200	603	7,148

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

	Lottery Admin	**Payment Processing**	**Unallocated**	**Group total**
	£'000	£'000	£'000	£'000
Balance Sheet				
Total assets	480	3,273	1,035	4,788
Total liabilities	353	17	1,919	2,289

The following table analyses assets and liabilities not allocated to business segments as at 31 January 2018:

	2018 £'000	**2017 £'000**
Assets		
Intangible fixed assets	4	4
Tangible fixed assets	1	1
Investment in Soccerdome	221	280
Other receivables	106	739
Cash and cash equivalents	7	11
	339	**1,035**
Liabilities		
Trade and other payables	597	1,913
Borrowings	6	6
	603	**1,919**

3 Revenue

	2018 £000	2017 £000
Lottery admin services	458	506
Payment Processing services	909	1,221
Total revenues	**1,367**	**1,727**

In both the year to 31 January 2018 and the year to 31 January 2017, all revenue was generated in the United Kingdom.

4 Expenses

The following expenses comprise cost of sales:

	2018 £'000	2017 £'000
Affiliate/agent commission	210	310
Fees to lottery clients	191	212
Lottery prizes payable	52	40
	453	**562**

The following material expenses are included in administrative expenses:

	2018 £'000	2017 £'000
Consultancy fees	98	98
Software development and maintenance fees	42	143
Office rent and rates	257	117
Professional fees	124	125
Bank charges	26	14
Hotels and travel	839	39

5 Operating profit

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

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	2	-

Amortisation of intangible assets	120	8
Impairment of intangible assets	-	18

Auditor fees for the year ending 31 January 2018 are £240,000 for audit services and £17,000 for tax related services (2017: £58,000 and £17,000 respectively.)

6 Staff numbers and costs

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

	2018	**2017**
	No.	**No.**
	15	**14**

The split of employees by function within the Group is as follows:	**No.**	**No.**
Administration and Sales	**10**	9
Management	**5**	**5**
Total	**15**	**14**

	2018	**2017**
Their aggregate remuneration comprised:	**£'000**	**£'000**
Wages and salaries	502	364
Social security costs	17	4
Directors' remuneration	97	99
	616	467

Directors' emoluments:		
Number of Directors accruing benefits under money purchase schemes	-	-
Aggregate emoluments of highest paid Director	33	33

Included within Directors' emoluments is £77,000 (2017: £75,000) paid to directors via related companies, as detailed in note 25.

7 Finance income and expense

Recognised in profit or loss

	2018 £000	2017 £000
Finance income	-	-
Finance expense	-	10

8 Taxation

Recognised in the income statement

	2018 £000	2017 £000
Current tax expense	-	-
Deferred tax credit	-	-
Total tax expense	**-**	**-**

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss) / Profit before tax	**(1,751)**	**2**
Tax using the UK corporation tax rate of 19.3% (2017 : 20%)	(337)	-
Adjusted for the effect of:		
Non-deductible expenses	11	1
Utilisation of previously unrecognised tax losses	-	(1)
Tax losses carried forward	**326**	-
Total tax expense for the year	**-**	**-**

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

9 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:

	2018	2017
Numerator: earnings attributable to equity (£'000)	(1,751)	2
Denominator: weighted average number of equity shares (No.)	2,272,496,437	1,722,496,437

The denominator as at 31 January 2018 is calculated as the weighted average of the 1,855,829,770 equity shares as at 1 February 2017 plus the 500,000,000 shares issued in April 2017.
In June 2010 the Company issued 24 million options to subscribe for Ordinary Shares of 0.1p each. All of these options had lapsed before 31 January 2018. At 31 January 2017, 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 were not dilutive and therefore diluted earnings per share is the same as basic earnings per share.

10 Property, plant and equipment

	Office equipment	Vehicles	Total
	£000	£000	£000
Cost			
Balance at 31 January 2016	**15**	**-**	**15**
Additions	1	-	1
Balance at 31 January 2017	**16**	**-**	**16**
Additions	1	29	30
Balance at 31 January 2018	**17**	**29**	**46**
Depreciation and impairment			
Balance at 1 February 2016	**15**	**-**	**15**
Depreciation charge for the year	-	-	-
Balance at 31 January 2017	**15**	**-**	**15**
Depreciation charge for the year	-	2	2
Balance at 31 January 2018	**15**	**2**	**17**
Net book value			
At 1 February 2016	-	-	-
At 31 January 2017 and 1 February 2017	1	-	1
At 31 January 2018	2	27	29

Impairment loss and subsequent reversal

During the year to 31 January 2018, there were no impairment losses.

The depreciation charge for the year is recognised in administrative expenses in the income statement.

11 Intangible assets

	Software	Licences, patents and trademarks	Total
	£000	£000	£000
Cost			
Balance at 1 February 2016	**32**	**54**	**86**
Other acquisitions – externally purchased	8	-	8
Balance at 31 January 2017	**40**	**54**	**94**
Acquisition – externally purchased	1,504	-	1,504
Acquisition - internally generated	146	440	586
Balance at 31 January 2018	**1,690**	**494**	**2,184**
Amortisation and impairment			
Balance at 1 February 2016	**1**	**-**	**1**
Amortisation for the year	1	7	8
Impairment charge	18	-	18
Balance at 31 January 2017	**20**	**7**	**27**
Amortisation for the year	118	2	120
Balance at 31 January 2018	**138**	**9**	**147**
Net book value			
At 1 February 2016	31	54	85
At 31 January 2017 and 1 February 2017	20	47	67
At 31 January 2018	1,552	485	2,037

Impairment loss
During the year to 31 January 2017, an impairment of £18,000 relating to software assets was recorded as the assets were no longer being used by the company.

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

	2018	2017
	£000	£000
Administrative expenses	120	26

12 Goodwill

	Goodwill £000
Balance at 1 February 2016	**1,673**
Balance at 31 January 2017	**1,673**
Balance at 31 January 2018	**1,673**

Impairment loss

For the purposes of impairment testing, goodwill acquired in a business combination has been assessed for recoverability on a cash-generating unit (CGU) basis. Goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to cash generating units.

	Goodwill 2018 £000	Goodwill 2017 £000
Cash generating unit		
Prize Provision Services Limited	158	158
Emex (UK) Group Limited	510	510
Emex Technologies Limited	1,005	1,005
	1,673	**1,673**

Goodwill is being allocated to the Group's subsidiaries (CGUs) as it is expected that those subsidiaries will benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units.

The composition of the CGUs has not changed from the previous impairment testing.

The principal assumptions made in 2018 in testing the goodwill for impairment were as follows:

Prize Provision Services 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 with a zero growth perpetuity based on the 5th year terminal value
- Revenue during year 1 reflects continuation of growth experienced in Q2 FY2019 (growth rate of 3%), with subsequent annual growth rates of 5%
- Pre-tax discount rate of 6.6% 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 5% 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 could absorb a discount rate of 15% without any impact on the level of goodwill carried on the balance sheet.

The Directors have assessed on the base level assumptions, that the values in use over its carrying amount, created headroom of £798,000.

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 is 5 years with a zero growth perpetuity based on the 5th year terminal value
• Annual growth rates assume that that levels of activity observed during Q1 2019 continue through the period covered by the forecast with no growth
• Pre-tax discount rate of 10% 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 10% 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. The forecast could absorb a discount rate of 15% without any impact on the level of goodwill carried on the balance sheet.

The subsequent disposal of Emex (UK) Group Limited provides additional evidence that its recoverable amount is in excess of its carrying value.

The Directors have assessed on the base level assumptions, that the values in use over its carrying amount, created headroom of £5,653,000.

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 is 5 years with a zero growth perpetuity based on the 5th year terminal value
• Revenue is assumed at the levels observed during Q1 2019 continue through the period covered by the forecast with no growth
• Pre-tax discount rate of 10% 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 10% 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 15% the forecast would not suggest that an impairment to goodwill would be required.

The Directors have assessed on the base level assumptions, that the values in use over its carrying amount, created headroom of £914,000.

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.

The subsequent disposal of Emex (UK) Group Limited and Emex Technologies Limited provides additional evidence that its recoverable amount is in excess of its carrying value.

13 Investment in equity instruments

	£'000
At 1 February 2016	**342**
Fair value adjustment (31 January 2017)	(62)
At 31 January 2017	**280**
Fair value adjustment (31 January 2018)	(58)
At 31 January 2018	**222**

The investment in equity relates to a 10% investment in Nineteen Twelve Holdings Limited, with an original cost of £342,000 in 2016. This investment has been measured at fair value as an available for sale asset with changes in fair value being recorded. 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 2018 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 the calculation is 8 years with a zero growth perpetuity based on the 8th year terminal value
- The annualised long term-growth rate takes the business, to a year 8 pitch utilisation rate of 11% (Winter bookings utilisation rate of 15% and Summer utilisation rate of 8%). This reflects the phase of growth that the business is in following its refurbishment in May 2016.
- The pre-tax discount rate applied to cash flow projection – 9%;

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 increase in fair value of £12,000 and a decrease of £13,000 for an equivalent decrease.

A 5% decrease in the discount rate used would result in an increase in fair value of £10,000 and a 5% decrease would decrease the fair value by £9,000.

14 Investments in subsidiaries

Details of the Company's subsidiaries at 31 January 2018 are as follows:

Name of Subsidiary	Company number	Place of incorporation (or registration) and operation	Proportion of ownership interest & voting power held	Holding	Principal activity
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
Timegrand Ltd	10539539	England and Wales	100%	Ordinary shares	Software licence holder
Market Access Ltd	11119688	England and Wales	100%	Ordinary shares	Payment Processing and Foreign Exchange provider

The registered office address for each subsidiary is as follows:

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

15 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	1,482	1,750
Other receivables	1,625	6
Prepayments and accrued income	59	158
VAT receivable	59	35
	3,225	**1,949**

Included within trade and other receivables is £nil (2017 : £nil) expected to be recovered in more than 12 months.

Included in Other receivables is £1,620,000 (2017 ; £nil), receivable from Phillite D UK Limited, relating to the development of the High Value Transaction Service (HVTS) of which more detail can be found in the strategic report on Page 1 and Note 25.

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.

16 Cash and cash equivalents/ bank overdrafts

	2018 £000	2017 £000
Cash and cash equivalents per balance sheet	2,151	818

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 £2,141,000 is an amount of £195,000 held in designated trust accounts for the benefit of clients of Prize Provision Services Limited (2017: £215,000).

17 Other interest-bearing loans and borrowings

Borrowings
Borrowings at 31 January 2018 include a loan of £6,100 (2017: £6,100). The loan is repayable on demand and no interest is payable.

18 Trade and other payables

	2018 £000	2017 £000
Trade payables	691	450
Other payables	6,427	1,687
Accrued liabilities and deferred income	24	146
	7,142	**2,283**
Other payables comprise:		
Social security and other taxes	42	6
Amounts owing to customers	6,189	1,457
Other	196	224
	6,427	**1,687**
Presented as:		
Current	6,427	1,687
Non-current	-	-

Included within trade and other payables is £nil (2017 : £nil) expected to be settled in more than 12 months.

Included within Other payables is £6,189,000 (2017 : £1,457,000) of amounts held on customers' behalf through the digital wallet service, Emexgo.

The Group does not hold funds processed by credit card for merchants; this is all carried out by the acquiring bank and those segregated funds are outside of the Group's own bank accounts and are therefore not recorded in the Group's financial statements. The Group then requires that each merchant deposit its revenue from credit card payments into an EmexGo account, out of which the Group collects its revenue. The merchant can then withdraw funds to its chosen bank account when it wishes to do so. A liability is recognised in within Trade and Other Payables as Amounts owed to customers for the amount of such funds deposited by customers, and the balance of such funds held in the Group's bank accounts at the reporting date is included within Cash and cash equivalents.

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 102 days (2017: 80 days).

19 Deferred taxation

A deferred tax asset has not been recognised in the year ended 31 January 2018 nor the year ending 31 January 2017 in respect of taxable losses carried forward as the probability of future taxable profits being available against which the unused tax losses and unused tax credits cannot be determined with sufficient certainty.

As at 31 January 2018, there were £1,107,354 of unused tax losses (2017:£781,486), of which £nil was utilised in the year to 31 January 2018.

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

20 Equity Share capital

	2018 **£'000**	**2017** **£'000**
Allotted, called up and fully paid		
2,355,829,770 (*2017:* 1,855,829,770) Ordinary Shares of 0.1p each	**2,356**	**1,856**

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").

On 10 April 2017, the Company acquired all of the ordinary shares in Timegrand Limited, satisfied in full by the issue of 500,000,000 ordinary shares of 0.1p nominal each in the Company.

On 23 April 2018 new shares totalling 410,000,000 Ordinary Shares of 0.1 pence each ("Ordinary Shares") were issued in settlement of amounts invoiced from key management personnel. In addition, 60,000,000 share options were granted to Directors and key management.

On 9 May 2018, new shares totalling 50,000,000 Ordinary Shares of 0.1 pence each were issued in settlement of invoices for consultancy fees totalling £50,000 from Nineteen Twelve Management Limited, a company controlled by James Rose.

Further details can be found in the Directors report on page 6.

21 Capital and reserves

Dividends

No dividends were recognised in either the period to 31 January 2018 or to 31 January 2017.

22 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 all options expired on this date.

Details of options granted were as follows:

Date of Grant	**No. £'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.

23 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.

23 (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 £222k (2017: £280k) which is Tier 3. This asset has been valued using a discounted cash flow model to determine its value in use. The key assumptions for this calculation are described in note 13.

23 (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.

Exposure to credit risk

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

	2018	**2017**
	£000	**£000**
Trade receivables	1,482	1,750
Other receivables	1625	6
	3,107	1,756

As at 31 January 2018, 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:

	2018	**2017**
	£000	**£000**
Not past due	29	181
Past due [0-30 days]	9	108
Past due [31-120 days]	184	514
More than 120 days	2,880	947
	3,102	**1,750**

All of the £3,064,000 that was in excess of 30 days past due as at 31 January 2018 was due from a related party (Phillite D UK Limited). The Directors are confident of its recovery, with significant sums recovered in H1 2019. In addition, Phillite D UK Limited has claims against three customers for sums in excess of the amounts owed to Group and is confident of their recovery. Therefore, there is no allowance for impairment.

At 31 January 2018 there were no trade receivables that were impaired (2017: £34,000).

23 (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 2018, the Group held a £6,100 loan (2017: £6,100).

In addition, as at 31 January 2018, the Group had Trade and other payables of £7,142,000 (2017: £2,283,000), of which all is due within the next 12 months. A significant proportion of this balance was sold as part of the disposal of the Emex Businesses.

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

23 (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 Finance Director 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 2018	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Other £000**	**Total £000**
Cash and cash equivalents	383	1,767	-	-	2,151
Trade and other receivables	1,550	1,268	17	272	3,107
Bank loans	6	-	-	-	6
Trade and other payables	1,010	5,155	843	110	7,118
Gross exposure	**2,687**	**9,224**	**882**	**382**	**12,081**

The same analysis for the year to 31 January 2017 was as follows:

31 January 2017	**Sterling £000**	**Euro £000**	**US Dollar £000**	**Other £000**	**Total £000**
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	-	2,137
Gross exposure	**2,037**	**1,434**	**1,245**	**-**	**4,716**

Sensitivity analysis

A 1% percent weakening of the following currencies against the pound sterling at 31 January 2018 would have reduced loss 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 year ended 31 January 2017.

	Equity 2018 £000	Equity 2017 £000
€	21	14
$	8	12
other	(2)	-

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 2018 and the year to 31 January 2017, 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 2018, the Group did not have any investments in quoted equity securities

23 (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 2018.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	22	19
Between one and five years	-	-
More than five years	-	-
	22	**19**

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 2018 £28,500 was recognised as an expense in the income statement in respect of operating leases (2017: £33,000).

25 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 (2017: £24,000) in the period, for directorship services provided, via an entity trading as R T Associates. At the year end R T Associates was owed £17,932 (2017: £35,400).

Andrew J A Flitcroft

Andrew Flitcroft, a director, charged the Group £33,000 (2017: £33,000) in the period, for directorship and company secretarial services provided, via an entity FS Business Limited. At the year end FS Business Limited was owed £77,250 (2017: £59,550).

Clive M Hyman

Clive Hyman, a director, charged the Group £20,000 (2017: £14,000) in the period, for directorship services provided, via an entity Hyman Capital Services Limited. At the year end Hyman Capital Services Limited was owed £14,000 (2017: £8,000).

Philip I Jackson and John M Botros

During the period Philip Jackson and John Botros were directors of Phillite D UK Limited (“PDU”). During the year ended 31 January 2018 the Group earned net fees from the provision of services to Group clients by PDU of £nil (2017: £626,723).

PDU 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, the services that PDU had previously provided to the Group have instead been undertaken within the Group by Emex Technologies Limited which obtained the necessary Financial Conduct Authority licences in May 2016.

During the period the Company launched a high value transfer service facilitating transactions in excess of €10,000,000 for corporate and individual customers (“HVTS”). The development of HVTS has involved investment by a number of organisations within the industry and the Group expects to generate future revenues from this product as part of its longer-term strategy. As part of this investment, the Group has provided £1,600,000 of working capital to PDU, and this amount is repayable by PDU in the normal course of business. It does not attract interest and is repayable on demand, and it is reported within Trade Receivables in the balance sheet along with other amounts owed by PDU.

At the period end the Group was owed £3,121,456 (£1,620,000is in Other Receivables) from PDU (2017: £1,767,536), the increase reflecting the £1,600,000 payment noted above, less amounts paid back to the Group.

HVTS was a product offered by Emexconsult Limited and Emex Technologies Limited, both of which were sold by the Group to MDC Nominees Limited on 30 July 2018. Included within the assets and liabilities disposed of in this transaction was the £1,600,000 balance owed by PDU.

Also included within the receivable from PDU is £301,000 related to recovery of legal costs arising from settlement of historic legal matters surrounding the Company's relationship with its former regulated payment processor, EUPay Group Limited ("EUPay") which has now been settled.

John Botros was appointed as a Director of PDU on 27 December 2017.
Philip Jackson resigned as a Director of PDU on 2 January 2018.

In addition, John Botros, a director of Emexconsult Limited, Emex Technologies Limited, Emex (UK) Group Limited, Soccerdome Limited and Market Access Limited, charged the Group £3,000 (2017: £nil) in the period, for Legal services provided, via St James Chambers. At the period end all invoices for St James Chambers Limited and Bluedale Limited had been settled.

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 Nineteen Twelve Management Limited (2017: £60,000). At the period end Nineteen Twelve Management Limited was owed £141,200 (2017: £134,450).

Mr Rose is a director of House of V Ltd, during the period the Group was charged £nil (2017: £2,112) 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 22, share options were granted in 2010 to Directors and key management, all of which lapsed prior to the period end. The following options were held by the Directors and key management and lapsed on 2 June 2017:

	Options No.	**Option details**
Lord E T Razzall	**3,300,000**	See A below
J M Botros	**4,800,000**	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

On 23 April 2018 new shares totalling 410,000,000 Ordinary Shares of 0.1 pence each ("Ordinary Shares") were issued in settlement of amounts invoiced from key management personnel. In addition, 60,000,000 share options were granted to Directors and key management.
On 9 May 2018, new shares totalling 50,000,000 Ordinary Shares of 0.1 pence each were issued in settlement of invoices for consultancy fees totalling £50,000 from Nineteen Twelve Management Limited, a company controlled by James Rose.

Further details can be found in the Directors report on page 6.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 15.23% of the voting shares of the Company.

The compensation of key management personnel is as follows:

	2018 £000	2017 £000
Key management remuneration including social security costs	346	267
	346	**267**

26 Subsequent events

Disposal of Subsidiaries
On 30 July 2018, the Group separated the provision of payment services to Non-Conforming Customers from the rest of the Group through the sale of Emex (UK) Group Limited, Emexconsult Limited and Emex Technologies Limited to MDC Nominees Limited. This included the disposal of all assets and liabilities that formed part of the Payment Processing operating segment as at and for the year ended 31 January 2018. Further details are described below.

The consideration for the purchase of Emex is £2,000,000, satisfied through the issue by MDC Nominees Limited of the Loan Note, which has the following key terms:

- Amount - £2,000,000
- Term - 10 years
- Interest rate - 0 per cent
- Security - A debenture over the issued share capital of Emex Technologies Limited, Emexconsult Ltd, Net World Limited and Emex (UK) Group Limited
- Repayment - by way of the establishment of a sinking fund into which the net revenues of Emex resulting from the customers left in place at the time of the transaction or any new Non-Conforming Customers referred by Market Access shall be transferred on a monthly basis and used for general working capital purposes and any balance outstanding at the end of 10 years, after the above sinking fund has been extinguished, by MDC Nominees Limited.

As part of the Transaction, whilst Non-Conforming Customers of Emex remained with the Emex Group Conforming customers were given the opportunity from October 2018 to engage with Market Access Limited as part of the transaction, clear of any liabilities. In consideration of this arrangement for the Conforming Customers, Boxhill agreed to issue 100,000,000 Shares to MDC.

Under the terms of the Transaction, Market Access continues to have an ongoing commercial relationship with Emex, with Market Access referring any new Non-Conforming Customers to Emex, and Market Access providing certain ongoing support services to Emex. Once the Loan Note is fully repaid, Market Access will receive a commission of 50 per cent of the net revenues resulting from the Non-Conforming Customers both in place at the time of the Transaction and those subsequently referred to Emex by Market Access.

The Board believes that this transaction will be financially beneficial to the Group. While profits will be reduced in the short-term until Market Access becomes more established, the structure of the transaction will be neutral in terms of Group cashflow in the short term. The separation of the Conforming Clients from the Non-Conforming Clients is anticipated to lead to improved banking relationships for the Group, which in turn should generate financial benefits over the medium term. Furthermore, these businesses were in a significant net liabilities position which had arisen from the working capital shortfall between cash balances and client fund liabilities in EmexGo. Therefore, their disposal helps to establish a better balance sheet position for the continuing Group. Subsequent to the disposal, Emex Technologies Limited has entered into administration. The Directors, having taken external legal advice, are satisfied that the Group has no further obligations or liabilities related to this matter.

MDC Nominees Limited is owned by John Botros, a director of certain Group subsidiaries and, with persons closely associated (as defined under the Market Abuse Regulation), a substantial shareholder (as defined by the AIM Rules) of Boxhill. The Transaction therefore constituted a related party transaction under the AIM Rules.

27 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 12.

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 13.

Recoverability of receivables
The Directors are confident of the recoverability of receivables, in particular the Phillite D UK Limited trade receivable as some amounts have already been recovered in H1 2019. In addition, Phillite D UK Limited has claims against three customers for sums in excess of the amounts owed to Group and is confident of their recovery.

Fair value accounting – purchase of software asset
The Group purchased the Timegrand software asset for consideration of ordinary shares. In accordance with IFRS 2, the asset is recognised at fair value. Determining fair value requires the Directors to use a valuation technique that is based upon estimates regarding the cost to build an equivalent asset (replacement cost). This is an appropriate methodology for internal use software and the Directors engaged a third party valuations expert to prepare the valuation.

Critical accounting judgements

Capitalisation of internally generated intangibles
During the year the Group capitalised £587,000 (2017: £nil) of costs related to internally generated intangible assets, being software development for IBAN technology and the development of an operating licence. The two key judgements are firstly identifying the point at which a project moves from research and into development activities and therefore capitalisation of costs is required, and secondly identifying and capturing all directly attributable costs appropriately. The Group used detailed project plans and timetables in order to assess when the criteria for capitalisation of costs is appropriate and to identify the directly attributable costs to be capitalised.

28 Controlling Party

No single individual has sole control of the company.

Company Balance Sheet

At 31 January 2018

	Note	**2018** **£000**	**2017** **£000**
Non-current assets			
Property, plant and equipment		1	1
Investments	3	1,344	1,902
Total non-current assets		**1,345**	**1,903**
Current assets			
Trade and other debtors	4	644	945
Cash and cash equivalents	5	7	11
Total current assets		**651**	**956**
Total assets		**1,996**	**2,859**
Current liabilities			
Trade and other payables	6	774	497
Total current liabilities		**774**	**497**
Total liabilities		**774**	**497**
Net assets		**1,222**	**2,362**
Capital and reserves			
Share capital	7	2,356	1,856
Share premium	7	3,020	3,020
Retained earnings	7	(4,154)	(2,514)
Equity shareholders' funds		**1,222**	**2.362**

The accompanying notes on pages 62 to 65 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 29 January 2019

and were signed on its behalf by:

A J A Flitcroft
Director

Company registered number: 04458947

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 31 January 2016	**1,456**	**1,820**	**(2,372)**	**904**
Shares issued	400	1,200	-	1,600
Loss for the period	-	-	(142)	(142)
Balance at 31 January 2017	**1,856**	**3,020**	**(2,514)**	**2,362**
Shares issued	500	-	-	500
Loss for the period	-	-	(1,640)	(1,640)
Balance at 31 January 2018	**2,356**	**3,020**	**(4,154)**	**1,222**

The accompanying notes in pages 62 to 65 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

There have been no changes in accounting policies during the year to 31 January 2018:

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

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.

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.

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

The 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 which is the functional currency of the Company. All amounts in the financial statements have been rounded to the nearest £1,000.
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.

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 for the period after taxation was £1,640,000 (2017: £142,000).

3 Fixed asset investments

The Company's investments consist of investments in subsidiaries of £2,344,000 (2017: £1,902,000).

Subsidiary	Investment held 2018 £'000	Investment held 2017 £'000
Prize Provision Services Limited	14	14
Soccerdome Limited	222	280
Barrington Lewis Limited	-	-
Emex Technologies Ltd (formerly Freepaymaster Limited)	-	1,005
Emex (UK) Group Limited Emex Consult Ltd	603	603
Timegrand Limited	505	-
Market Access Ltd	-	-
	1,344	**1,902**

As part of the annual impairment review of the Company's investment in Soccerdome (which has a 10% investment in Nineteen Twelve Holdings Limited as disclosed in note 13 to the Group financial statements), an impairment to the value of the Company's investment in Soccerdome Limited of £58,000 has been made in the year to 31 January 2018. Details of the assumptions for valuing Soccerdome Limited are included in note 13 of the Group financial statements.

Emex Technologies Limited was sold to MDC Nominees Limited on 30 July 2018, and it subsequently entered Administration on 19 September 2018. As a result, there is uncertainty over the timing and quantum of cash receipts that the Company will receive from MDC Nominees Limited relating to the activity of Emex Technologies Limited. Consequently, an impairment for the full value of the investment in subsidiary has been made as at 31 January 2018.

Details of the Company's subsidiaries at 31 January 2018 can be found in note 15 of the consolidated financial statements.

4 Debtors

	2018 £000	2017 £000
Amounts due from subsidiary undertaking	3	8
Trade receivables	538	582
Other receivables	66	203
Prepayments	37	152
	644	**945**

Included within trade and other receivables is £nil (2017 : £nil) expected to be recovered in more than 12 months.

5 Cash and cash equivalents/ bank overdrafts

	2018 £000	2017 £000
Cash at bank and in hand	7	11
Cash and cash equivalents	**7**	**11**

6 Current liabilities

	2018 £000	2017 £000
Amounts due to subsidiary undertakings	168	37
Trade payables	467	300
Other payables	121	21
Accrued liabilities and deferred income	16	139
	772	**497**
Presented as:		
Current	1,055	497
Non-current	-	-

Included within trade and other payables is £nil (2017 : £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.

7 Capital and reserves

The movements on share capital are disclosed in note 20. of the consolidated financial statements.

8 Operating leases

All operating leases have been included in note 24 in the Consolidated financial statements.

9 Commitments

Capital commitments

The Company had no contractual commitments to purchase tangible fixed assets as at 31 January 2018. (2017:£nil)

10 Employee benefits

Share based payments

Share based payments are disclosed in the Consolidated financial statements in note 25.

11 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.

	2018 £'000	2017 £'000
Management charge to		
Prize Provision Services Limited	12	12
Balance included in debtors		
Emex Consult Ltd	-	1
Barrington Lewis Ltd	3	3
Emex Technologies Ltd	-	4
Balance included in creditors:		
Prize Provision Services Limited	4	18
Soccerdome Limited	20	20
Emex Consult Ltd	20	-
Emex Technologies Ltd	123	-

All transactions were undertaken on an arm's length basis.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) is covered in note 6 of the consolidated financial statements.

The full list of related party transactions entered into by the Group is disclosed in note 25 of the consolidated financial statements.

As discussed in note 25 in the consolidated financial statements, Philite D UK owes Group £3,121,456 of which £538,000 sits as a receivable in the parent accounts, receivable from Philite D UK.

12 Subsequent events

All post balance sheet significant events have been covered in note 26 of the Consolidated financial statements.

13 Controlling party

No single individual has sole control of the Company.