CONTENTS

FINANCIAL HIGHLIGHTS

- **Revenue increased by 57% to US$21.3 million**
  (2015: US$13.6 million)
- **Core software licensing revenue increased by 22% to US$10.4 million**
  (2015: US$8.6 million)
- **Trading platform revenues increased by 117% to US$10.9 million**
  (2015: US$5.0 million)
- **Revenue from DragonFinancials of UD$9.3 million; net profit of US$5.6 million- Company holds a 51% stake in DragonFinancials**
- **Net cash generated from operating activities increased to US$5.9 million**
  (2015: US$0.1 million)
- **Gross margins increased to 78%**
  (2015: 71%)
- **Operating profit increased to US$5.0 million**
  (2015: operating loss US$0.1 million)
- **EBITDA attributable to shareholders was US$2.8 million**
  (2015: US$0.6 million)
- **Pre-tax profit attributable to shareholders was US$1.3 million**
  (2015: pre-tax loss of US$0.4 million)
- **Strong cash position of US$7.7 million as at 31 December 2016**
  (2015: US$3.4 million)

FINANCIAL HIGHLIGHTS
(continued)

- Basic earnings per share ('EPS') have increased to a profit of US$ 1.72 cents in 2016 from a loss of US$ 0.73 cents in 2015
- DragonFinancials, the Company's 51% subsidiary, paid an interim dividend of US$2.0 million in November 2016 and an additional final dividend of US$3.0 million was paid in March 2017
- Additional consideration of US$1.54 million payable in shares to owners of Optionfortune (non-controlling interest holders of TechFinancials) based on DragonFinancials' results for 2016 - contingent consideration of US$4.53 million payable on results for 2017

OPERATIONAL HIGHLIGHTS

Software Licensing (B2B)

- B2B software licensing division continued its strong performance with significant revenue growth
- Launch of an add-on Contract For Difference ("CFD") trading platform in the second half of 2016
- Continued international expansion - major push in to the Asia pacific region opening Chinese affice to expend B2B services to China
- R&D focused on solutions for Asian markets and on development of products to meet regulatory changes
- Strengthened R&D team in Ukraine

Trading Platform (B2C)

- Return to profitability in the B2C division through the successful integration and operation of DragonFinancials, a new B2C trading platform focused on the Asia Pacific Region

Chairman's Statement

I am delighted to report that we achieved record revenues and profitability in 2016. Overall, revenues have increased by 57% and profits attributable to shareholders were US$1.2 million against a loss of US$0.5 million in 2015. EBITDA attributable to shareholders grew from US$0.6 million in 2015 to US$2.8 million in 2016.

During the year, we have successfully implemented many of our international expansion plans which have transformed our business and financial performance. Our strategy has been focused on the high growth markets in Asia where we successfully integrated our investment in DragonFinancials. DragonFinancials operates our B2C trading platform focused on the Asia Pacific region and the partnership has exceeded our expectations in its first year. As a result, contingent consideration is payable as outlined in Note 16.

The performance of DragonFinancials has restored the B2C division to profitability and generated excellent cash flows for the Group.

Our B2B software licensing business has continued to grow its revenues although EBITDA has declined as the Company has invested in building for the long-term. The simplified Forex platform and mobile and tablet trading solutions have continued to support growth across the business. In the second half of the year, we launched the CFD platform, our third trading platform, which expands our offering to spot traders.

An analysis of the financial performance of each segment of the Group's business is provided in Note 21 to the financial statements.

The improvement in the Group's financial performance has benefitted our cash flows and at the year-end our cash balances stood at US$7.7 million. These positive cash flows have supported a continued, and indeed enhanced, programme of R&D expenditure which, the Board believes, should support future revenue and growth opportunities.

We have completed our trading solution to comply with regulations in the Japanese market. At this stage the marketing of this product has been delayed until the Company decides whether to allocate resources to the Japanese market based on its prospects compared to alternative markets. Much of the R&D and technology development work is being applied to meet the European regulations likely to be adopted by CySEC and the FCA.

In the US, we had hoped to complete our trading solution to comply with US regulations in 2016. This has been delayed due to continuous discussions and work with Cantor Exchange around the business model that should apply to this market; however, like our Japanese project much of our development work is being applied to meet the European regulations, likely to be adopted by CySEC and the FCA. This along with the Japanese trading solution developed should create further revenue opportunities toward the end of 2017 or at the beginning of 2018.

REGULATION

The regulatory environment surrounding the marketing of binary options, forex and CFD trading in a number of countries is tightening and remains uncertain. Regulators in Europe have published consultation papers and until the conclusions are published the uncertainty will remain. It is also likely that regulatory changes will have an impact on our product offerings.

We expect this uncertainty will continue to be a challenge for the industry as a whole in 2017. As a

Company we seek to operate to the highest regulatory standards and we will continue to work with the regulators and respond to consultation papers accordingly. As clarity is provided on various consultation papers we will update the market as appropriate.

In light of this we will continue in 2017 as we did in 2016 to take steps to mitigate the impact of these regulatory changes on our business. We have focused heavily on building and enhancing our technologies to the highest levels of compliance and diversifying and developing our product offering with Forex and CFD online trading solutions with plans to introduce further products in the coming years such as fixed strike options. We have enlarged our R&D team in Ukraine to support the ongoing adjustments to products as regulation tightens and to enhance the growth of the Asian markets through solutions that are relevant to this region.

MARGINS

We have once again been able to improve margins through control of expenditure and by efficiently controlling the cost of customer acquisitions. I am pleased to say that the improvement seen in the first half of the year continued in the second half of 2016. Our investment in new technologies has been an important element in improving our customers' user experience as well as enhancing operational efficiencies. The launch of the CFD platform should also have a beneficial impact on future margins.

BUSINESS SUMMARY AND OPERATIONAL REVIEW

B2B

I am pleased to report that our core software licensing business enjoyed further strong growth this year, with revenues increasing by 22% to US$10.5 million, and with revenues on a standalone basis increased by 27% to US$11.5 million. The simplified forex platform and mobile and tablet trading solutions which were introduced in 2015 have both performed strongly in 2016 and the launch of the add-on CFD platform in the second half of 2016 should contribute to revenues in 2017. Our focus on the Asian markets has proved to be a fruitful one and helped to drive higher revenues.

Our increasingly diversified product offering and geographic spread have helped us to continue to grow our customer base. The regulatory environment however, remains uncertain and challenging and we will need to be innovative and proactive in order to respond to this changes and to maintain our momentum and competitive edge. We have continued to invest in our R&D team and a programme of new products. Our R&D expenditure increased by 46% to US$3.3 million in 2016.

We have also increased our investment in selling and marketing activity and staff levels to support long term-growth. In the short-term, these increased levels of expenditure have impacted the profitability of the B2B division, with EBITDA attributed to shareholders on a standalone basis falling from US$2.4 million in 2015 to US$1.3 million in 2016.

Whilst we have made progress on completing our US and Japanese compliant trading solutions, we have delayed their launch. The development work is instead being applied to our European operation in order for us to move quickly to adapt to changes likely to be adopted by CySEC and the FCA. We believe this will bring further growth opportunities.

B2C

The B2C business has been transformed by the establishment of DragonFinancials, a partnership with the owners of Optionfortune, a B2C binary options trading platform focused on the Asia Pacific region, which began operating in January 2016.

Overall, revenues have increased by 117% to US$10.9 million. This includes revenues of US$9.3 million from DragonFinancials which commenced its trading platform activity in January 2016.

Following a loss in 2015, the business has been transformed by the establishment of DragonFinancials. With increased operational efficiencies and careful control of overheads, the division achieved positive EBITDA attributed to shareholders of US1.5 million against negative EBITDA attributed to shareholders of US$1.8 million in 2015.

Under the terms of the agreement with the owners of Optionfortune, an additional consideration payment of US$1.54 million is payable in shares in

Chairman's Statement (continued)

respect of the results of DragonFinancials in 2016. A total of 3,868,615 Techfinancials shares were placed in escrow pending finalisation of the financial results of DragonFinancials and were transferred to the owners of Optionfortune on 22 March 2017.

In addition, as part of the agreed contingent consideration arrangements, Techfinancials will make an additional payment of US$4.528 million, at its option, in either cash or shares calculated at a minimum of 27p per share, provided that DragonFinancials' net profit in the calendar year 2017 is at least US$4.176 million, representing 90% of the Eligible Profit achieved in 2016.

The Company has therefore recognised a contingent consideration payable of US$4.528 million (see Note 16).

Goodwill of US$5.0 million has been recognised as a non-current asset in relation to these arrangements.

In February 2016, we entered into an agreement with IBID, a company specialising in developing high growth online solutions. We established a new company, IBID Financials Ltd. ("the Partner"), focused on the European regulated markets. Our aim was to integrate Techfinancials trading platform into the Partner's online marketing systems. However, in July 2016, the contract was cancelled as a result of breaches of the agreement by the Group's Partner.

The Board does however remain committed to the European regulated markets and is continuously seeking alternative solutions to develop this market.

DIVIDENDS

The Board and Management's policy is to pay a progressive dividend. However, in light of the near term challenges as a result of the regulatory headwinds the Board will not be recommending a final dividend for FY2016. The Board's intention is to resume dividend payments when it is prudent to do so.

OUTLOOK AND CURRENT TRADING

The Group enjoyed a good year in which we have seen profitability restored as a result of the decisions we took as a Board to diversify our product offering and focus on high growth markets such as Asia. This could not have been achieved without the skill, passion and hard work of all of our staff. On behalf of the Board, I would like to thank them for their efforts during the year.

In February 2017, the Company received a notice of termination from its largest software licensee Richfield Capital, owner of www.24option.com ("Richfield"), to its current agreement with the Group with effect from 1 April 2017. While Richfield migrated most of its trading activity to its in-house system, as of the report date Richfield Capital continues trading activities in low volumes using the Company's product. The Company has agreed with Richfield effective 1 April 2017, the terms of a new license agreement that will support this decreased level of trading that Richfield performs on the Company's system.

Performance during the first quarter of 2017 is in line with management expectations. However, 2017 will be challenging due to the loss of the Group's largest customer and the uncertain and tightening regulatory environment particularly in Europe, which has already caused some of the Company's licensees to halt their operations. We anticipate business owners may choose to postpone additional or new investments until the results of regulatory consultations are published and clarity is restored. The Company believes that regulatory changes may also occur in the Asian market. We anticipate these changes will have an adverse impact on the B2B performance for the rest of 2017, both on its revenues and on earnings.

Our focus in 2017 will be on mitigating the loss of our largest customer and adapting to the tougher regulatory environment by diversifying our product offering with the introduction of Forex and CFD online trading solutions and with plans to introduce further products in coming years. As a result of these product changes, we have become a provider of diversified online trading solutions rather than a binary options business. We will also build on the success achieved by our B2C offering and focus on Asia.

The Company's balance sheet is strong with US$7.7 million of cash as at 31 December 2016, and this allows us to plan for the long-term.

OUTLOOK AND CURRENT TRADING (continued)

We do feel that ultimately the regulatory changes will strengthen the industry and that there will be clarity by the end of 2017, and once that occurs we will be well positioned to serve the market from 2018 onwards.

We remain committed to creating value for shareholders and I would like to thank our shareholders for their continued support.

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

Christopher Bell
Independent Non-Executive Chairman

5 April 2017

Strategic Report
for the year ended 31 December 2016

FINANCIAL RESULTS

The Group generated revenues of US$21.3 million in the year ended 31 December 2016, (2015: US$13.6 million), a 57% increase from the prior year. The increase in revenues has led to a turnaround in results with the Group recording an operating profit of US$5.0 million (2015: operating loss of US$0.1 million). EBITDA attributable to shareholders has grown from US$0.6 million in 2015 to US$2.8 million in 2016.

The Group has continued to grow its core software licensing revenues which have increased from US$8.6 million to US$10.5 million in 2016, an increase rate of 22% on the previous year (on a standalone basis revenues have increased from US$9.1 million to US$11.5 million in 2016, a growth rate of 27%).

B2B revenue growth has been driven mainly by an increase in revenues from existing customers rather than an increase in the number of active brands using Techfinancials' platform.

Revenues from the Company's B2C division have also grown, from US$5.0 million in 2015 to US$10.9 million in 2016, an increase of 117%, reversing the decline in 2015. This growth has been achieved trough the successful integration of DragonFinancials, which run our B2C trading platform in the Asia Pacific region. DragonFinancials, started operations in January 2016 and produced revenue of US$9.3 million in its first year. The successful integration of DragonFinancials, coupled with improved operational and marketing efficiencies in Asia have transformed the financial performance of the division. This success means that additional contingent consideration is payable as outlined in Note 16.

Margins have also increased, reflecting the operational and marketing efficiencies implemented in 2016. The improvement in gross margins seen in the interim results has continued. Overall, the Group achived a full year gross margin of 78%, up from 71% in 2015. B2C margins have responded positively to the focus on the Asia Pacific region where operating costs are lower than in Europe. Margins on a standalone basis have increased from 59.3% in 2015 to 75.3% in 2016. B2B margins on a standalone basis have improved from 73.0% to 73.4%.

Overall, profitability has benefitted from the increased level of revenues and margins and a semi-variable overhead cost structure which has seen overheads grow less quickly than revenues. In particular, whilst selling and marketing costs have remained stable at US$4.2 million, R&D expenditure increased by 47% to US$3.3 million, reflecting a continued focus on product innovation, regulation and improving customer experience. The Company successfully launched its CFD trading platform in the second half of 2016.

The amount of R&D expenditure capitalised was US$0.3 million compared with US$0.8 million in 2015. Further development expenditure was incurred on the CFD project and on trading solutions for the Asian markets. Further details are provided in Note 6 to the Financial Statements.

Administration costs increased by 27% to US$4.1 million which reflects performance related bonuses to staff and management, additional overheads to support the Group's geographical expansion and an increase in bad debts from US$332,000 to US$541,000.

FINANCIAL RESULTS (continued)

The Group recognised a finance charge of US$558,000 in respect of the contingent consideration payable to the owners of Optionfortune as more fully described in Note 16.

Notwithstanding these increases in expenditure, the combination of increased revenues and enhanced margins has had a significant impact on the bottom line. The result before tax has improved from a pre-tax loss of US$0.4 million in 2015 to a pre-tax profit of US$4.1 million in 2016.

The increase in B2C trading platform revenues have resulted in positive EBITDA attributed to shareholders for the division of US$1.5 million on a standalone basis compared with a loss of US$1.8 million on standalone basis in 2015. The lower costs of operating in Asia have also contributed to improvement in profitability.

B2B licence income on a standalone basis has produced US$1.3 million of EBITDA attributed to shareholders compared with US$2.4 million in 2015. Increased R&D expenditure to support future growth, as well as higher selling, marketing and administration costs have offset the growth in revenues.

Detailed information on the financial performance of each segment is provided in Note 21 to the financial statements.

There is a tax expense of US$136,000 in 2016 (2015: US$100,000). A majority of the Group's profits have not been taxable as the profits generated by DragonFinancials are sourced from the Seychelles and are not subject to tax. In Israel, the Group is taxable at a rate of 25.0% of assessable profits (2015: 26.5%) while in Cyprus the statutory rate of tax is 12.5%. Further details are provided in Note 14.

Basic earnings per share ('EPS') have increased from a loss of US$ 0.73 cents in 2015 to a profit of US$ 1.72 cents in 2016. On a diluted basis, EPS increased from a loss of US$ 0.73 cents in 2015 to a profit of US$ 1.70 cents.

The Group generated net cash from operating activities of US$5.9 million compared with US$0.1 million in 2015. This level of cash generation has allowed the Group to continue its investment in new products and services and regulatory infrastructure; cash outflows from investing activities was US$0.5 million (2015: US$1.3 million).

The Group has continued to place great importance on strong controls over working capital and the collection of cash from operators. Debtor days at the end of 2016 were 28 days compared with 27 days at the end of 2015.

Cash outflows from financing activities were US$1.1 million compared with an inflow of US$3.1 million in 2015 when the Company received proceeds from its admission to AIM.

The Group's cash balances at the end of 2016 totalled US$7.7 million (2014: US$3.4 million).

OPERATIONS

The Group has benefitted from its R&D activities of recent years and its strategic focus on Asia during the past year. The investment in DragonFinancials has transformed the B2C online trading platform and whilst the regulatory environment continues to tighten, the Group is well placed to meet these challenges.

We have launched our CFD trading platform and are developing online trading solutions for the Asian markets. Our Asian focus will continue as we see considerable growth opportunities in the region.

Whilst our agreement with IBID Financials was not successfully concluded, we continue to explore alternative solutions to the European regulated markets.

We have delayed the completion of our trading solution to comply with US regulations and the marketing of the trading solution to comply with Japanese regulations, but the development work on these solutions should enable us to meet increased regulations in Europe where further changes are anticipated from CySEC and the FCA.

As previously noted, the Company's largest software licensee will terminate its current agreement with the Group with effect from 1 April 2017. This will have a negative impact on financial performance of the B2B segment but the Board has actively planned for this loss and its strategic focus on new revenue sources should serve to mitigate the shortfall.

Strategic Report (continued)
for the year ended 31 December 2016

Techfinancials will continue to develop new products and invest in its highly experienced R&D team. The regulatory and competitive environment is evolving quickly and the Board will seek to maximise the opportunities that come from these changes. Our cash reserves and strong balance sheet mean that we are well placed to capture growth from new products and markets.

The Directors have continued to build infrastructure to support the Group's long-term growth plans whilst keeping day-to-day overhead costs under control.

KEY PERFORMANCE INDICATORS

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

- Numbers of licensees using the Group's software: 34 (2015: 56). Whilst the number of brands has fallen due to tightened regulations around the world, revenues per brand have grown and resulted in a 26% increase in licence revenues.
- Total number of trades executed through its licensees: 20.98 million (2015: 16.96 million).)
- Total revenues: US$21.3 million (2015: US$13.6 million)
- EBITDA attributed to shareholders: US$2.8 million (2015: US$0.6 million)
- Cash generation from operating activities: US$5.9 million (2015: US$0.078 million)

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

PRINCIPAL RISKS AND UNCERTAINTIES

In addition to the financial risks discussed in Note 19, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for simplified trading solutions.

The Group is dependent on growth in the market for its trading solutions. The sector is young, highly competitive and changing quickly. An economic downturn or instability may cause customers to reduce their trading activity or to move business to lower cost competitors.

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

The Group faces intense and increasing competition in the marketplace. The Group is confronted by rapidly changing technology, evolving user needs and the frequent introduction by its competitors of new and enhanced services. Some of its existing and potential competitors are better established, benefit from greater name recognition, and have significantly greater financial, technical, sales, and marketing resources than the Group.

In addition, some competitors, particularly those with a more diversified revenue base, may have greater flexibility than the Group to compete aggressively on the basis of price and other contract terms. New competitors may emerge through acquisitions or through development of disruptive technologies. Strong and evolving competition

could lead to a loss of the Group's market share or make it more difficult to grow its business profitably or enter into new markets.
Constant investment in research and development of new products and services is key to the Group remaining competitive and attractive to new customers.

Technology Risks

The Group is reliant on its proprietary pricing and execution engines. Competitors either presently operating in the market or potential new entrants may produce software that is more effective than that of the Group. Superior technology would be likely to attract business from the Group's actual or potential clients and could have a material adverse impact on the revenues and operating results of the Group.

Information Technology Risks

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

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

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

Intellectual Property Risks

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

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

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

Strategic Report (continued)
for the year ended 31 December 2016

Payment Processing Risks

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

2016 has also see a significant ramp up of due diligence requirements by international banks and in many cases a reluctance to open accounts even for regulated entities. The effect is an increased risk of payment default from the Group's software licensees. A continuation of these occurrences could have a material adverse effect on the Group's operations, financial performance and prospects.

Competition Risks – TechFinancials

At present, the Directors believe that the competition to the Group comes from one major global provider that competes with TechFinancials in all markets, and 3-4 smaller scale providers that we see as a challenge in specific markets and opportunities. Other businesses, which may have significantly larger technical and/or financial resources than the Group, may enter the market with a view to offering competing products. Existing online brokers may choose to develop their own software and systems and/or make that software available to other online brokers. Continued development of the Group's systems is fundamental to remaining competitive.

Competition Risks – Trading Platform

The simplified Binary Option continues to face stiffer regulation and Forex trading markets are growing rapidly and are becoming more competitive.

Furthermore, the market may attract new online brokerages which could compete with the Group's brands for customers. Such new market entrants could include much larger and better resourced companies than the Group, which would invest significant amounts of money to attract customers including substantial expenditure on advertising and marketing and/or cash incentives to potential traders. These companies could also have brands that are well recognised globally and which would be more attractive to potential new customers. In addition, competing online brokerages could raise substantial amounts of money or be acquired by larger organisations and find themselves able to draw on substantial funds that they could use to acquire market share. They might seek to do so by offering smaller dealing spreads than offered in the trading platform, thereby attracting actual or potential customers of the Group.

Should any of these circumstances come to pass, they could have a material and adverse effect on the Group.

Dependence on key customers

Techfinancials currently derives a substantial proportion of its revenues from a single customer who has given notice to terminate is agreement with effect from April 2017. This will have a negative impact on financial performance of the B2B division but the Board has actively planned for this loss and its strategic focus on new revenue sources should serve to mitigate the shortfall.

Attracting and Retaining Talented Staff

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

Regulatory/Compliance Risk

Regulatory controls continue to tighten and impose challenging demands on the resources of the Group.
Several European regulators have embarked on measures to ban the marketing of binary options within their jurisdictions whilst also imposing sever limitations on CFD and forex trading offered to retail clients. The introduction of MiFID II in January 2018 will present a new dawn for European regulatory law and it is probable that a consultation process currently underway will reshape the binary product allowed in Europe from that date to a fixed strike product that the Company is familiar with from its development work in USA and Japan.

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

Measures taken by CySEC have focused on sales and marketing practices adopted by regulated entities and client on boarding. As Noted in the Company's interim financial report for the six months to 30 June 2016, the Company's subsidiary was fined €138,000 (approximately US$153,000) by CySEC in relation to certain regulatory breaches in 2015.

We believe that regulatory demands will inevitably increase further in 2017. This will take the form of new requirements by the regulators on regulated brands, which will require the investment of development efforts by Techfinancials as well as significantly influencing the cost of customer acquisition for regulated brands.

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

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

Corporate Responsibility

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

Governance

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

More information on our corporate governance practices can be found on pages 22 to 23.

Employees and Their Development

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

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

Diversity and Inclusion

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

Strategic Report (continued)
for the year ended 31 December 2016

Health and safety

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

GROWTH STRATEGY AND OUTLOOK

The Group's near term goals are to seek partners for its B2C division for expansion in Europe, diversify our product offering and build on the success achieved by our B2C offering in Asia. The Company believes that this strategy can successfully mitigate the effects of the loss of its largest B2B customer.
We have successfully integrated DragonFinancials and will continue our focus on the high growth potential of Asian markets.

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

Investment in our brand is vital and our marketing activities will seek to strengthen further the Company's brand awareness. As the regulatory landscape continues to change, we have been diversifying our product offering with Forex and CFD online trading solutions with plans to introduce further products in coming years. As a result we have become a provider of diversified online trading solutions rather than a binary options business.

The anticipated changes coming from the European regulators have created an uncertainty in the market, leading business owners to postpone additional or new investments until the new regulatory requirements are published, and, as a result will result in lower short term demand for the Company's products in the EU territory. However, the Company's believes that this situation will be resolved towards the end of the year, and is in process of making changes to its product line, so as to be well positioned to serve the market towards 2018.

We have achieved a significant improvement in financial performance in 2016 and are working on alternative solution to meet the challenges that lie ahead in 2017. Regulatory challenges abound and whilst 2017 is likely to prove to be a challenging year, we believe that in the longer term the tightening of regulatory procedures governing financial trading will prove to be an opportunity to the Company.

We remain confident about the long-term prospects of the Group and continue to invest for the future and adapt to the evolving regulatory environment.

Asaf Lahav
Chief Executive Officer

5 April 2017

Directors' Report
for the year ended 31 December 2016

The Directors present their report on the Group, together with the audited Financial Statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the development and licensing of financial trading platforms and the provision of investment services, being the operation of the trading platform. The principal activity of the Company is that of licensor of its software and a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

CAUTIONARY STATEMENT

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of the reports and should be treated with caution due to the inherent uncertainties associated with such statements.

RESULTS AND DIVIDENDS

The results of the Group are set out in detail on pages 9 to 10. The Board's dividend policy is to make progressive payments subject to the Company having adequate distributable reserves.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Details of the business activities and developments made during the year can be found in the Strategic Report on pages 9 to 15 and in Note 1 to the Financial Statements respectively.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Disclosures regarding financial instruments are provided within the Strategic Report and Note 20 to the Financial Statements.

CAPITAL STRUCTURE AND ISSUE OF SHARES

Details of the Company's share capital, together with details of the movements during the year are set out in Note 12 to the Financial Statements. The Company has one class of ordinary share which carry no right to fixed income.

Details of the Company's share option arrangements are provided in Note 13.

RESEARCH AND DEVELOPMENT

The main areas of research and development activities in 2016 have been the completion of the CFD trading platform which is now complete and on trading solutions for the Asian markets as covered in the Strategic Report on pages 9 to 15.

POST BALANCE SHEET EVENTS

The Company has received a notice of termination from its largest software licensee Richfield Capital, owner of www.24option.com ("Richfield"), to its current agreement with the Group with effect from 1 April 2017. The Company has agreed with Richfield effective 1 April 2017, the terms of a new license agreement that will support this decreased level of trading that Richfield to performs on the Company's system.

Directors' Report (continued)
for the year ended 31 December 2016

DIRECTORS

The Directors of the Company at the date of this report are:

Director	Role	Date of appointment	Board Committee	
Christopher Bell	Independent Non-Executive Chairman	24/11/2014	A	R
Asaf Lahav	Group Chief Executive Officer	14/11/2014		
Jeremy Lange	Group Chief Operating Officer	14/11/2014		
Hillel (Hillik) Nissani	Independent Non-Executive Director	24/11/2014	A	R
Eitan Yanuv	Independent Non-Executive Director	24/11/2014	A	R

Board Committee abbreviations are as follows: A = Audit Committee; R = Remuneration Committee

The Board comprises two executive and three independent non-executive directors.

Christopher Bell, Independent Non-Executive Chairman

Christopher Bell has 20 years' experience in the gambling industry and was the chief executive officer of Ladbrokes plc until his departure in 2010. He joined Ladbrokes plc in 1991 and became managing director in 1994 before joining the board of Ladbrokes plc in 2000 (known as Hilton Group plc until 2006). Mr Bell is the independent non-executive chairman of XL Media plc, a senior independent director of Quintain Estates and Development plc, a non-executive director of Spirit plc and a member of the Responsible Gambling Strategy Board which advises the UK government on gambling policy. Prior to joining Ladbrokes plc, Mr Bell held senior marketing positions at Victoria Wine Company Limited and Allied Lyons plc.

Christopher Bell is a member of the Remuneration Committee and the Audit Committee of the Company.

Asaf Lahav, Group Chief Executive Officer

Asaf Lahav co-founded the Group and has held the post of Group Chief Executive Officer since the

Group's inception in 2009. Apart from his Group responsibilities, Mr. Lahav is responsible for co-managing the TechFinancials business unit with particular responsibility for the product development team. Mr. Lahav has 20 years' experience in managing complex technological projects and was previously a director of research and development at EMC Corporation, a position he left to found the Group. Prior to this he held senior roles within research and development at ProActivity Software Solutions Limited, a privately held provider of business process management software solutions which was subsequently acquired by EMC Corporation. Mr Lahav holds a BSc (Hons) in Information Systems from the Technion.

Jeremy Lange, Group Chief Operating Officer and Company Secretary

Jeremy Lange co-founded the Group and has held the post of Chief Operating Officer since the Group's inception in 2009. For the past three years Mr Lange has been responsible for establishing the Group's operations in Cyprus and has overall responsibility for compliance at BO TradeFinancials. Prior to founding TechFinancials, he was employed in a number of senior sales positions including at Surf Communication Solutions, a high-capacity multimedia processing solutions business, and at Flexlight Networks, an Israeli technology start-up company. Mr Lange has dual British/Israeli nationality and holds a PhD in Biochemistry from Leeds University and a BSc (Hons) in Biochemistry from Kings College, London.

Hillel (Hillik) Nissani, Independent Non-Executive Director

Hillik Nissani has worked in international sales and marketing for more than 25 years with extensive experience in the technology sector and more specifically in online trading. He is currently the owner and managing partner of Habaneros, a strategy and marketing agency based in Cyprus. Until July 2014, he held the position of chief marketing and sales officer at Easy Forex, a global Forex broker. Between 2007 and 2009, Mr Nissani worked for London Stock Exchange main market listed 888.com as the vice-president for the Americas. Mr Nissani has held executive roles with other companies, most notably, at Matomy Media Group Limited, a company listed on the main market of the London Stock Exchange and NYSE traded Amdocs Inc. Mr Nissani also spent 5 years in venture capital and private equity where he led investments in high-tech companies and assisted their management teams with both their strategy as well as their daily execution. Some of these companies were acquired by multinationals such as Alcatel, and some achieved an initial public offering on the NASDAQ stock market. Mr Nissani was Captain and Head of The Israeli Defence Forces' Software Development School Programming Division and holds a MBA from Edinburgh University.

Hillik Nissani is the Chair of the Remuneration Committee and a member of the Audit Committee of the Company.

Eitan Yanuv, Independent Non-Executive Director

Eitan Yanuv is chief executive officer of Implement Limited, a business he founded in 2002 and which provides consultancy services to SMEs in Israel operating in the technology space. Prior to setting up Implement, Mr Yanuv was head of consulting and investment banking at Kost Forer Gabay E&Y. He served as the finance director of Starcom plc till June 2015 and is still serving on the board of SerVision Plc, both AIM-quoted companies headquartered in Israel.
Eitan Yanuv is the Chair of the Audit Committee and a member of the Remuneration Committee of the Company.

DIRECTORS' INTERESTS IN SHARES AND CONTRACTS

Directors' interests in the shares of the Company at 31 December 2016, and any changes subsequent to 31 December 2016, are disclosed in Note 25 to the Financial Statements. Directors' interests in contracts of significance to which the Company was a party during the financial year are disclosed in Note 18 to the Financial Statements.

Directors' Report (continued)
for the year ended 31 December 2016

SUBSTANTIAL INTERESTS

As at 1 March 2017, the Company has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Eyal Alon	9,943,183	14.49%
Asaf Lahav	9,154,546	13.34%
Jeremy Lange	7,329,412	10.68%
Miton Group	5,987,506	8.72%
Danny Magen	5,572,498	8.12%
Eyal Rosenblum	5,241,836	7.64%
Equilibrium Solutions	4,444,245	6.48%
Fidelity Venture Capital Ltd.	3,322,000	4.48%
Evian Investment Ltd.	3,042,004	4.43%
Daonit Ltd.	2,133,233	3.11%

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

INDEPENDENT AUDITORS

During the year, Crowe Clark Whitehill LLP have been replaced by a Board's decision as auditors and PKF Littlejohn LLP were appointed in their place.

ANNUAL GENERAL MEETING

The Annual General Meeting ('AGM') will be held at 11:30 AM on 11 May 2017, at the offices of Grant Thornton UK LLP at 30 Finsbury Square, London EC2A 1AG. The notice of the AGM contains the full text of the resolutions to be proposed.

Corporate Governance Report

The Company is registered in the British Virgin Islands and quoted on the AIM market of the London Stock Exchange.

STATEMENT ABOUT APPLYING THE PRINCIPLE OF THE QCA GUIDELINES

The Board recognises the value of good governance and has voluntarily given due regard to the QCA guidelines in adopting its governance procedures, which are appropriate for a company of the size and nature of the Company.
The Board recognises the importance of complying with the Market Abuse Regulations ("MAR") which came into force in the UK on 3 July 2016 relating to the disclosure of inside information and disclosure of deals by persons discharging managerial responsibilities ("PDMR") and persons closely associated ("PCA"). The Company has adopted an appropriate share dealing policy.

BOARD OF DIRECTORS

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board expects to hold Board meetings physically at least four times a year and at other times by teleconference as and when required.

Biographical details of the Directors and the Company Secretary are included on pages 19 to 20.

At 31 December 2016, the Board comprised two executive and three independent non-executive directors. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors hold meetings without the executive Directors present. The Non-Executive Chairman is primarily responsible for the working of the Board of the Company. The Group Chief Executive's office is primarily responsible for the running of the business and implementation of the Board's strategy and policy. The Group Chief Executive office is assisted in the managing of the business on a day-to-day basis by the Group's Chief Operating Officer and Chief Financial Officer.

High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a de minimis level) are taken by the full Board. Operational decisions are taken by the executive Directors within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board typically expects to meet four times a year to consider a formal schedule of matters including the operating performance of the business and to review the Group's financial plan and business model. Each non-executive Director holds office for the term, if any, fixed by the resolution of shareholders or the resolution of directors appointing him until, if earlier, his death, resignation or removal. If no term is fixed on the appointment of a Director, the Director serves indefinitely until the earlier of his death resignation or removal.

In accordance with the Company's Articles of Association, at the Annual General Meeting one-third of the Directors will be subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office.

Subject to the provisions of the BVI Business Companies Act, 2004, the Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment, but as between persons who became or were last reappointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined. It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Corporate Governance Report
(continued)

RELATIONS WITH SHAREHOLDERS

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders by meeting to discuss long term issues and receive feedback, communicating regularly throughout the year and issuing trading updates as appropriate. The Board also seeks to use the Annual General Meeting to communicate with its shareholders.

BALANCED AND UNDERSTANDABLE ASSESSMENT OF POSITION AND PROSPECTS

The Board has shown its commitment to presenting balanced and comprehensible assessments of the Group's position and prospects by providing comprehensive disclosures within the financial report in relation to its activities. The Board has applied the principles of good governance relating to Directors' remuneration as described below. The Board has determined that there are no specific issues which need to be brought to the attention of shareholders.

REMUNERATION STRATEGY

The Group operates in a competitive market. If it is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. Techfinancials aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which reflects individual performance and contribution. For 2016 the remuneration package comprised salary, pension contributions, bonus or sales commission schemes and, where appropriate, share options. This continues the practice operated in previous years.

BOARD COMMITTEES

The Board maintains two standing committees, being the Audit and Remuneration Committees.

The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

AUDIT COMMITTEE

The Audit Committee currently comprises Eitan Yanuv who chairs the committee, Christopher Bell and Hillik Nissani. The Committee was formed in March 2015 and has held 4 meetings in 2016 (including the meeting held to approve this report). Further details on the Audit Committee are provided in the Report of the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Hillik Nissani, who chairs the committee, Christopher Bell and Eitan Yanuv. The Committee was also formed in March 2015. The Committee has held 3 meetings in 2016. No significant resolutions were made. Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Report of the Audit Committee

AUDIT COMMITTEE

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the Financial Statements of the Company and any formal announcements relating to its financial performance; to review the Company's internal financial controls and its internal control and risk management systems and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness, independence and objectivity of the auditors. A recommendation regarding the auditors is put to shareholders for their approval in general meetings. Provision is made by the Audit Committee to meet the auditors at least twice a year.

INTERNAL CONTROLS

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets, the Directors recognise that they have overall responsibility for ensuring that the Company maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of those systems. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material misstatement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

The Company has established procedures necessary to implement the guidance on internal control issued by the FRC Guidance on Audit Committees 2012. This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its Executives and senior managers. The key features of the internal control system are described below:

Control Environment – the Company is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk Identification – Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Information Systems – Group businesses participate in periodic operational/strategic reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main Control Procedures – the Company has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

Monitoring and corrective action – There are clear and consistent procedures in place for monitoring the system of internal financial controls.

Report of the Audit Committee (continued)

INTERNAL CONTROLS (continued)

This process, which operates in accordance with the FRC guidance, has remained in place up to the date of the approval of these Financial Statements. The Board, via the Audit Committee, has reviewed the systems and processes in place in meetings with the Chief Financial officer and the Company's auditors.

BO TradeFinancials, which is regulated by CySEC, has outsourced its internal audit function in respect of the trading platform. The internal auditors continue to make recommendations in line with changes in the law and/or regulatory practices. Such recommendations are acted upon by BO TradeFinancials under the supervision of the Company's compliance officer.

As noted in the Company's interim financial report for the six months to 30 June 2016, BO TradeFinancials was fined €138,000 (approximately US$153,000) by "CySEC" in relation to certain regulatory breaches in 2015.

The Board considers the internal control system to be adequate for the Company. The auditors have provided services in relation to the annual audit of the Group, advice and compliance work in relation to taxation and other advisory work during the year. The Audit Committee reviews the scope and scale of the non-audit services undertaken by the auditors in order to ensure that their independence and objectivity is safeguarded.

MarketFinancials Ltd is licensed and regulated by the Financial Services Authority in Seychelles for provision of securities dealer services. MarketFinancials has outsourced its internal audit function in respect of the services it provides. The internal auditors continue to make recommendations in line with changes in the law and/or regulatory practices. Such recommendations are acted upon by MarketFinancials under the supervision of the Company's compliance officer.

Report of the Remuneration Committee

The Remuneration Committee monitors the remuneration policies of the Company to ensure that they are consistent with its business objectives. Its terms of reference include the recommendation and execution of policy on Director and executive management remuneration and for reporting decisions made to the Board. The Committee determines the individual remuneration package of the executive management of the Board.

The Remuneration Committee recognises that incentivisation of staff is a key issue for the Company, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to the Group's results. The Remuneration Committee approved the grant of share options to employees according to an approved plan (as more fully described in Note 13 to the Financial Statements).

The aim of the Board and the Remuneration Committee is to maintain a policy that:

- establishes a remuneration structure that will attract, retain and motivate executives, senior managers and other staff of appropriate calibre;
- rewards executives and senior managers according to both individual and Group performance;
- establishes an appropriate balance between fixed and variable elements of total remuneration, with the performance-related element forming a potentially significant proportion of the total remuneration package;
- aligns the interests of executives and senior managers with those of shareholders through the use of performance related rewards and share options in the Company.

From time to time the Committee may obtain market data and information as appropriate when making its comparisons and decisions and is sensitive to the wider perspective, including pay and employment conditions elsewhere in the Group, especially when undertaking salary/remuneration reviews.

The remuneration package comprises the following elements:

- basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies. The Non-Executive Directors receives an annual fee;
- annual performance-related bonus – executives, managers and employees receive annual bonuses related to specific KPIs or overall Group performance. The Non-Executive Chairman may receive a bonus of up to three months' fees if revenue and profits reach certain thresholds;
- benefits – benefits include life assurance and pension contributions. The Non-Executive Directors does not receive these benefits;
- share options – share option grants are reviewed regularly.

Full details of each Director's remuneration package and their interests in shares can be found in Note 19 to the Financial Statements.

SERVICE CONTRACTS

The executive and non-executive Directors have signed service agreements that contain notice periods of 3 months. There are no additional financial provisions for termination.

Report of the Remuneration Committee (continued)

SHARE OPTION PLAN

The Company operates an Employee Stock Option Plan (ESOP). Further details are provided in Note 13 to the Financial Statements.

COMMUNICATION WITH SHAREHOLDERS

The Board attaches great importance to communication with both institutional and private shareholders.

Regular communication is maintained with all shareholders through Company announcements, the half-year Statement and the Annual Report and financial statements.

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders. Institutional shareholders are in contact with the Directors through presentations and meetings to discuss issues and to give feedback regularly throughout the year. With private shareholders this is not always practical.

The Board therefore intends to use the Company's Annual General Meeting as the opportunity to meet private shareholders who are encouraged to attend, and at which the Chief Executive Officer will give a presentation on the activities of the Group.

Following the presentation there will be an opportunity to meet and ask questions of Directors and to discuss development of the business.

The Company operates a website at https://group.techfinancials.com. The website contains details of the Group and its activities; regulatory announcements, Company announcements, Interim statements, preliminary statements and Annual Reports. The website is maintained in compliance with AIM Rule 26.

Directors' Responsibilities Statement

in respect of the Annual Report and the Financial Statements

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

The Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable 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 Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to assume that Company will continue in business;

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

They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law.

The maintenance and integrity of the Techfinancials, Inc. web site is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the British Virgin Islands governing the preparation and dissemination of the accounts and the other information included in Annual Reports may differ from legislation in other jurisdictions.

PROVISION OF INFORMATION TO AUDITORS

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

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

Signed by order of the board

Asaf Lahav

5 April 2017

Independent Auditor’sReport
to the Members of Techfinancials, Inc.

We have audited the Financial Statements of Techfinancials Inc. for the year ended 31 December 2016 which include the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes. The financial reporting framework that has been applied in the preparation of these Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body. 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 English law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

In addition, we read all the financial and non-financial information in the Chairman’s Statement, the Strategic Report and the Directors’ Report and any other surround information to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements;

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit for the year; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

5 April 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 US$'000	2015 US$'000
Revenue		21,325	13,575
Cost of sales		(4,675)	(3,983)
Gross profit		**16,650**	**9,592**
Other income		2	-
Research and development		(3,336)	(2,276)
Selling and marketing expenses		(4,202)	(4,247)
Administrative expenses		(4,077)	(3,214)
Operating profit/(loss)		**5,037**	**(145)**
Bank fee		(141)	(66)
Foreign exchange loss		(285)	(151)
Finance cost of contingent consideration		(558)	-
Other financials expenses		(2)	(14)
Financing expenses		**(986)**	**(231)**
Profit/ (loss) before taxation		**4,051**	**(376)**
Income tax expense	14	(136)	(100)
Profit/(loss) after taxation		3,915	(476)
Other comprehensive income		-	-
Total comprehensive income		**3,915**	**(476)**

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2016

	Note	Year ended 31 December	
		2016	2015
Profit/ (loss) attributeable to:		US$'000	US$'000
Owners of the Company		1,179	(476)
Non-controlling interest	16	2,736	-
Profit (loss) for the period		3,915	(476)
Earnings per share attributable to owners of the parent during the year:			
Basic (Cents USD)	15	1.72	(0. 73)
Diluted (Cents USD)	15	1.70	(0. 73)

* The Notes on pages 39 to 69 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Year ended 31 December 2016 US$'000	2015 US$'000
Non-current assets			
Intangible assets	6	7,843	2,821
Property and equipment	7	510	421
Other long term assets		42	-
		8,395	**3,292**
Current assets			
Trade and other receivables	8	2,121	1,627
Restricted bank deposits	9	279	203
Cash and bank balances	10	7,651	3,391
		10,051	**5,221**
Total Assets		18,446	8,513
Current liabilities			
Trade and other payables	11	4,546	1,474
Income tax payable		138	142
		4,684	**1,616**
Non-current liabilities			
Contingent consideration	16	4,058	-
Due to shareholders (non trade)	17	-	281
		4,058	**281**

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

Non-current liabilities	Note	Year ended 31 December 2016 US$'000	2015 US$'000
Share capital	12	55	36
Share premium account		7,500	5,979
Treasury shares		(1,540)	-
Share-based payment reserve	13	925	877
Accumulated profits / (losses)		1,008	(276)
Equity attributable to owners of the Company		7,948	6,616
Non-controlling interests		1,756	-
Total equity		9,704	6,616
Total Equity and Liabilities		**18,446**	**8,513**

* The Notes on pages 39 to 69 are an integral part of these consolidated financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 5 April 2017 and are signed on its behalf by:

Asaf Lahav
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital (Note 12)	Share premium (Note 12)	Treasury Shares (Note 12)	Share based payment reserve (Note 13)	Accumulated profits/(losses) (Note 12)	Total	Non controlling interests (Note 16)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2015	**28**	**2,753**	**-**	**557**	**372**	**3,710**	**-**	**3,710**
Total comprehensive income for the year	-	-	-	-	(476)	(476)	-	(476)
Dividends to owners	-	-	-	-	(172)	(172)	-	(172)
Share based payment	-	-	-	320	-	320	-	320
Issue of shares	8	3,226	-	-	-	3,234	-	3,234
Balance at 31 December 2015	**36**	**5,979**	**-**	**877**	**(276)**	**6,616**	**-**	**6,616**
Total comprehensive income for the year	-	-	-	-	1,179	1,179	2,736	3,915
Dividends to owners	-	-	-	-	-	-	(980)	(980)
Share based payment	-	-	-	153	-	153	-	153
Transfer of Share based payment reserve on lapsed options	-	-	-	(105)	105	-	-	-
Issue of shares	19	1,521	-	-	-	1,540	-	1,540
Treasury shares	-	-	(1,540)	-	-	(1,540)	-	(1,540)
Balance at 31 December 2016	**55**	**7,500**	**(1,540)**	**925**	**1,008**	**7,948**	**1,756**	**9,704**

* The notes on pages 39 to 69 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

The consolidated statements of cash flows for the Group for the years ended 31 December 2015 and consolidated for the year ended 31 December 2016 are set out below:

	Note	Year ended 31 December 2016 US$'000	Year ended 31 December 2015 US$'000
Cash Flows from operating activities			
Profit/(loss) before tax for the period		4,051	(376)
Adjustment for :			
Profit on disposal of property and equipment		3	2
Amortization of intangible assets	6.1	352	330
Depreciation of property and equipment	7	100	70
Share option charge	13	153	320
Operating cash flows before movements in working capital			
(Increase)/decrease in trade and other receivables	8	(494)	(214)
(Increase) in long term receivables		(42)	-
(Decrease)/ increase in trade and other payables	11	1,799	(42)
Interest Expenses		2	-
Income tax paid		-	(12)
Net cash generated from/(used) operating activities		**5,924**	**78**
Cash flows from investing activities			
Proceeds from disposal of propety, plant and equipment		10	15
Increase of restricted bank deposits	9	(76)	(163)
Development of intangible assets	6.1	(334)	(833)
Acquisition of property, plant and equipment	7	(146)	(344)
Net cash used in investing activities		**(546)**	**(1,325)**
Cash flows from financing activities			
Interest Paid		(2)	-
Dividends Paid	12	(980)	(172)
Repayment of borrowings	11	(92)	-
Investment in Equity		-	3,226
Net cash ganerated/(used) in financing activities		**(1,074)**	**3,054**
Net increase/ (decrease) in cash and cash equivalents		**4,304**	**1,807**
Cash and equivalents at beginning of period		3,391	1,663
Effect of changes in exchange rates on Cash		(44)	(79)
Cash and equivalents at end of period	10	**7,651**	**3,391**

Notes to the Financial Statements

1. GENERAL INFORMATION

Techfinancials Inc ("The Company") and its subsidiaries (together, "the Group") is engaged in the development and licensing of financials trading platforms to businesses and the provision of investment services through its trading platform. The Financial Statements present the consolidated results of the Group for each of the years ended 31 December 2016 and 2015.

1.1. The Group

Techfinancials Inc. (formerly Mika Holdings Inc.), a company incorporated in the British Virgin Islands on 16 June 2009 as a British Virgin Island company under the BVI Business Companies Act, 2004, is the holding company for the Group. The Company is listed on AIM. The Financial Statements of the Group includes the Financial Statements of B.O. TradeFinancials Limited a Cyprus Investment Firm ("CIF") in accordance with license no. 216/13 granted by the Cyprus Securities and Exchange Commission ("CySEC") on 27 September 2013, MarketFinancials Limited a company regulated by the Financial Services Authority in Seychelles under the license SD006 issued on 21 October 2014, Techfinancials (Israel) 2014 Ltd, an Israeli incorporated company , DragonFinancials Limited a company incorporated on 27 October 2015 in Seychelles owned 51% by Techfinancials, Techfinancials Asia a dormant company incorporated in Hong Kong and Slidepoint Trading Limited, a dormant company incorporated in Cyprus. The companies within the Group are set out below, all of which are private companies limited by shares.

Registered office	County of registration or incorporation	Prcentage of ownership	Principal activity
TechFinancials, Inc.	British Virgin Islands		Development and licensing of financial trading platforms.
B.O. TradeFinancials Limited	Cyprus	100%	The provision of investment services, being the operation of the OptionFair trading platform.
Techfinancials (Israel) 2014 Ltd.	Israel	100%	The provision of services to the Group from November 2014
MarketFinancials Ltd.	Seychelles	100%	Liquidity provider since Jan 2015. Providing Binary Option and Forex market maker services and risk management to the Group
DragonFinancials Ltd.	Seychelles	51%	The provision of marketing services, being the operation of the Option33 trading platform from January 2016.
Slidpoint Trading Ltd	Cyprus	100%	Dormant
Techfinancials Asia	Hong Kong	100%	Dormant
Capital Financials Ltd	Vanuatu	100%	Dormant

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

TechFinancials, Inc.; Craigmuir Chambers, PO Box 71, Road Town, VG1110 Tortola, British Virgin Islands

B.O.TradeFinancials Limited; 1, Kosta Hadjikakou, Kyriakos Tower, 1st Floor 4107, Agios Athanasios, Limassol, Cyprus

Techfinancials (Israel) 2014 Ltd.; 3 Hamada St. Herzliya, Israel

DragonFinancials Ltd.; Francis Rachel St. Victoria, Mahe, Seychelles

MarketFinancials Ltd.; Suite 3, Global Village, Jivan's Complex, Mont Fleuri, Mahe, Seychelles

Slidepoint Trading Ltd.; 6 Tassou Papadopoulou, office/flat 22, 2373 Ag. Dometios, Nicosia, Cyprus

Techfinancials Asia Ltd.; Room 506A5/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong

Capital Financials Ltd.; S.I.P Building, Rue Pasteur, Port Vila, Vanuatu

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") issued by the International Accounting Standards Board ("IASB") including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financials assets and liabilities at fair value through the profit and loss.

The individual Financial Statements of each Group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in US Dollars, which is the presentational currency for the financial statements, and all values are rounded to the nearest thousand ($000).

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

2.2. Basis of consolidated reporting

The financial statements of the subsidiaries are prepared for the same reporting year as the parent Company using consistent accounting policies. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect these returns through its power over the investee. Control is lost when the Group no longer has rights to variable returns from its involvement with an investee entity and no longer has the ability to affect those returns as it no longer has power over the investee. When control is lost the subsidiaries are de-recognised and no longer consolidated.

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

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

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of consolidated reporting (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Investments in subsidiaries are accounted for at cost less impairment. Acquisition related costs are expressed as incurred. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.
Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Foreign operations

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

(b) Current versus non-current classification

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

(i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;

(ii) Held primarily for the purpose of trading;

(iii) Expected to be realised within twelve months after the reporting period; or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) it is expected to be settled in the normal operating cycle;

(ii) it is primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

(c) Property, plant and equipment

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

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

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

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

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

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

Notes to the Financial Statements (continued)

(d) Intangible assets

(i) Research and development expenditure

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

Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:

(i) its ability to measure reliably the expenditure attributable to the asset under development;

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

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

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

(v) the availability of adequate technical, financial and other resources to complete the asset under development.
In the event that it is no longer probable that the expected future economic benefits will be recovered, the development expenditure is written down to its recoverable amount.

(ii) Computer Software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straightline method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

(iii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired.
For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU's"), or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.
Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use less costs on disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

The Group bases these impairment calculations on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash generating units to which the individual assets are allocated. The budgets and forecasts calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

(f) Financial assets

(i) Initial recognition and measurement

The Group classifies its financial assets in the following categories: at loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the reporting date which are classified as non-current assets. Loans and receivables comprise of cash and bank balances, trade and other receivables.

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

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continue)

(f) Financial assets (continued)

(ii) De-recognition

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

(g) Impairment of financial assets

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

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

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

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

(h) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities and include trade and other payables and borrowings. Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of financial liability, or, where appropriate, a shorter period.

(i) Borrowings

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

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

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

(j) Provisions

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

(k) Contingent liabilities

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

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

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

(l) Share Capital

Preference shares are classified as equity in accordance with the substance of the contractual arrangements entered and allocated to the equity component, which is presented in shareholders' equity, net of transaction costs.

(m) Treasury shares

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

(n) Share-based payment

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Notes to the Financial Statements (continued)

(n) Share-based payment (continued)

Equity - settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 13.

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

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

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 13).

(o) Dividends

Dividend distributions are recognised in the Company's financial statements in the year in which they are approved by the Company's board of Directors.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from support services are recognised over the specific period of respective service agreements.

B2B- The Group licences its software packages to companies. Revenue is recognised in respect of the stage of completion of the initial set up of the software and on completion of the contract specific performance obligation.

B2C- The Group recognise revenue in respect of is investment services at the end of each trade outcome and it represent the gains or losses from said activities.

(q) Current and deferred Income tax

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

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the comprehensive income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

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

(r) Fiduciary activities

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

Notes to the Financial Statements (continued)

(s) Operating leases

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Retirement benefit costs

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

(u) Cash and cash equivalents

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

(v) Going concern

The Consolidated Financial Statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.
The group has prepared forecasts and projections which reflect the expected trading performance of the Group for at least 12 months from the date of the signing of the financial statements. These have been prepared on the best estimates of management using all their current knowledge and expectation of trading performance across all group companies as well as considering the expected impact of any recent changes to regulation and the loss of a major customer.
Based on the above, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, as well as to fund the Group's future operating expenses. The going concern basis preparation is therefore considered to be appropriate for the Consolidated Financial Statements.
Should the Group not be able to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amounts to provide for further liabilities which might arise and to re-classify non-currents assets as current.
The financial statements do not include any adjustments that may be required should the Group be unable to continue as a going concern.

(w) Critical accounting judgements and key uncertainties of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period.

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

Impairment of intangible assets and goodwill:

The Group tests annually whether intangible assets and goodwill, which have a carrying value as at 31 December 2016 of US$2,803 million and US$5,040 million respectively, have suffered any impairment, in accordance with the accounting policy. Where applicable, the recoverable amounts of cash generating units have been determined based on value in use calculations. The value in use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value.

The recoverable amount of the product platforms has been determined based on value in use calculations. These calculations require the use of estimates (Notes 12 and 13). The directors have concluded that no impairment charge is necessary.

(x) Technology Risk

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

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

(y) Compliance Risk

B.O TradeFinancials, the Group's subsidiary is regulated by CySEC. The regulatory environment is regularly changing and imposes significant demands on the resources of the Group. MarketFinancials, the Group's subsidiary is regulated by the Financial Services Authority in Seychelles under the license. As the Group's activities expand, offering new products and penetrating new markets, the regulatory demands will inevitably increase. The increasing complexity of the Group's operations require training and recruitment to be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

Jurisdictions where there is currently no regulation, may introduce regulation to the Binary Option and Forex markets. OptionFair as well as Techfinancials’ online broker clients who trade in such markets would need to comply with any such regulation if they are to continue trading. This could add additional costs to OptionFair if achieved and may not be achieved at all and may reduce trading volumes and revenues from online brokers so affected.

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

Notes to the Financial Statements (continued)

4. CHANGES IN ACCOUNT POLICIES AND DISCLOSURES

(i) New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2016.

New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted:

Standard	Impact on initial application	Effective date
IAS 1 (Amendments)	Presentation of Financial Statements - Disclosure Initiative	*1 January 2016
IAS 7 (Amendments)	Results of the Disclosure Initiative	*1 January 2017
IAS 12 (Amendments)	Recognition of Deferred tax assets for Unrealised Losses	*1 January 2017
IAS 16 (Amendments)	Property, plant and equipment - Clarification of Acceptable Methods of Depreciation	1 January 2016
IAS 27 (Amendments)	Separate Financial Statements	1 January 2016
IAS 28 (Amendments)	Accounting for Investments - Applying the Consolidation Exception	1 January 2016
IFRS 2 (Amendments)	Clarification of Measurement of Share Based	*1 January 2018
IFRS 9	Financial Instruments	*1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements: Applying the Consolidation Exception	*1 January 2016
IFRS 12 (Amendments)	Disclosure of Interests in Other Entities: Applying the Consolidation Exception	*1 January 2016
IFRS 15	Revenue from Contracts with Customers	*1 January 2018
IFRS 16	Leases	*1 January 2019

* 1 Subject to EU endorsement

The Group is evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Group's results or shareholders' funds.

5. OPERATING (LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS

Profit from operations have been arrived at after charging:

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Depreciation	100	70
Amortisation of intangible assets	352	331
Research and development expenditure	3,334	2,276
Auditor remuneration – audit of the company accounts	163	77
Legal and professional expenses	516	354
Share option charge	153	320
Operating lease payment	507	481
	5,125	**3,909**

6. INTANGIBLE ASSETS

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Computer software	5	5
Development expenditure recognized as intangible assets	2,798	2,816
Goodwill*	5,040	-
	7,843	**2,821**

* The amount of goodwill is remeasured and does not correspond to the figures in 2016 interim statements since adjustments to the final valuation of acquisition of DragonFinancials were made, as detailed in Note 16.

Notes to the Financial Statements (continued)

6. INTANGIBLE ASSETS (continued)

6.1. Development expenditure and computer software

As at 31 December 2015 Cost	Project A US$'000	Project B US$'000	Project C US$'000	Project D US$'000	Project E US$'000	Computer software US$'000	Total US$'000
At 1 January 2015	784	858	673	-	-	4	2,319
Additions	-	-	259	359	211	4	833
At 31 December 2015	**784**	**858**	**932**	**359**	**211**	**8**	**3,152**
Accumulated amortisation							
At 1 January 2015	-	-	-	-	-	1	1
Charge for the year	157	171	-	-	-	2	330
At 31 December 2015	**157**	**171**	**-**	**-**	**-**	**3**	**331**
Net book value At 31 December 2015	**627**	**687**	**932**	**359**	**211**	**5**	**2,821**
As at 31 December 2016 Cost							
At 1 January 2016	784	858	932	359	211	8	3,152
Additions	-	-	82	87	162	3	334
At 31 December 2016	**784**	**858**	**1,014**	**446**	**373**	**11**	**3,486**
Accumulated amortisation							
At 1 January 2016	157	171	-	-	-	3	331
Charge for the year	157	171	-	-	21	3	352
At 31 December 2016	**314**	**342**	**-**	**-**	**21**	**6**	**683**
Net book value At 31 December 2016	**470**	**516**	**1,014**	**446**	**352**	**5**	**2,803**

Project A – Forex trading solution.
Project B – Mobile and tablet native applications adjusted to different screen sizes.
Project C – Trading solution for the US market.
Project D – Trading solution for the Japanese market.
Project E – Trading solution for CFD.

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

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

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

The recoverable amounts of all the above have been determined from value in use calculations based on cash flows projections from formally approved budgets covering a five year period to 31 December 2020. The key assumptions used in these calculations include discount rates and turnover projections. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to expected future projects. See also Note 3(d).

Major assumptions are as follows:

2016	Project A US$'000	Project B US$'000	Project C US$'000	Project D US$'000	Project E US$'000	Computer software US$'000
Discount rate	-	-	15%	15%	15%	N/A
IRR	-	-	42%	57%	85%	N/A

A 25% increase in the discount rate would result in no impairment charge.

During 2016 the company covered all its expenses recognised as intangible assets for projects A and B.

6.2. Goodwill arose on the acquisition of DragonFinancials Ltd.

This assessment of goodwill was done by comparing the gross profit to the value of goodwill for the entity whose acquisition gave rise to the goodwill. (see also Note 16)

	Goodwill
Discount rate on future cash flow	40%

Notes to the Financial Statements (continued)

7. PROPERTY AND EQUIPMENT

As at 31 December 2015 Cost	Leashold Improvement US$'000	Computers US$'000	Furniture US$'000	Total US$'000
At 1 January 2015	22	231	149	402
Additions	211	90	43	344
Disposal	-	(4)	(13)	(17)
At 31 December 2015	**233**	**317**	**179**	**729**
Accumulated depreciation				
At 1 January 2015	2	144	42	188
Charge for the year	19	39	12	70
At 31 December 2015	**21**	**183**	**54**	**258**
Net book value At 31 December 2015	**212**	**134**	**125**	**471**
As at 31 December 2016 Cost				
At 1 January 2016	233	317	179	729
Additions	120	26	-	146
Disposal	-	(6)	(1)	(7)
At 31 December 2016	**353**	**337**	**178**	**868**
Accumulated depreciation				
At 1 January 2016	21	183	54	258
Charge for the year	30	58	12	100
At 31 December 2016	**51**	**241**	**66**	**538**
Net book value At 31 December 2016	**302**	**96**	**112**	**510**

8. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Trade receivables	1,628	995
Prepayments	71	413
Amounts due to Shareholders	2	4
Other receivables	420	215
	2,121	**1,627**

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

9. RESTRICTED BANK DEPOSITS

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

10. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Cash at bank	7,651	3,391
	7,651	**3,391**

11. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2016	2015
	US$'000	US$'000
Trade payables	530	522
Other payables	11	20
Short term loan from third parties*	-	132
Short term loan from shareholders **	190	-
Accrued income ***	800	-
Employees related balance	735	691
Worth of Shares to be issued ****	1,540	-
Accrued liabilities	740	109
	4,546	**1,474**

* Loans from the owners of OptionFortune with principal amount of US$300,000 bear a 3 month Libor interest rate, the loans were fully repaid on 11 August 2016. (see also Note 16).

** The loans on the total amount of US$281,000 bear no interest and are, subject to certain conditions, repayable in three equal instalments of which the first 2 were paid during July 2016 and February 2017 respectively, an additional instalment is payable on July 2017.

*** During 2016 the Company has entered into an agreement with its largest software licensee Richfield Capital, owner of www.24option.com ("Richfield") effective 1 January 2016. Under the agreement, Richfield shall make a onetime payment of US$1.5 million which shall serve as a security deposit to be held until termination of the contract. The agreement was further amended where both sides agreed to reduce the security deposit amount to US$0.75 million. In the event that this agreement is terminated the security deposit will be apportioned against monthly royalty during the 3 months advance notice period up to US$0.25 million per month. As of 31 December 2016 the security deposit was US$0.75 million. During 2017 Richfield notified the Company that it intends to terminate its current agreement with the Group with effect from 1 April 2017. (see Note 25)

****On 20 October 2015 the Company has entered into an agreement with the owners of Optionfortune Trade Limited, a company registered in Hong Kong ("OptionFortune owners") to operate a B2C binary options trading platform focused on the Asia Pacific region. Under the terms of the agreement a new business entity, DragonFinancials Ltd, was incorporated, and is owned 51% by Techfinancials and 49% by OptionFortune owners.

Notes to the Financial Statements (continued)

11. TRADE AND OTHER PAYABLES (continued)

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

According to the agreement assuming DragonFinancials produces US$2 million of net profit in the calendar year 2016, Techfinancials will transfer to Optionfortune owners a number of Techfinancials Inc. equal to 3,868,615 shares held in escrow worth US$1.54 million. (see Note 12)

12. SHARE CAPITAL

	As at 31 December	
	2016	2015
Authorised	**Number of Shares**	**Number of Shares**
The Company Ordinary share of US$0.0005	100,000,000	100,000,000
Authorised	**100,000,000**	**100,000,000**

	2016	2015
Issued and fully paid	**US$'000**	**US$'000**
The Company Ordinary share of US$0.0005	**55**	**36**

Ordinary shares issued and fully paid	**US$'000**
At 1 January 2016	36
Treasury shared issued	19
Share based compensation exercise of options	-*
At 31 December 2016	**55**

*less than a thousand

Share Capital - Amount subscribed for share at nominal value.

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

Share-based payment reserve - The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 13 for further details of these plans.

Treasury Shares - On 8 June 2016, in accordance with the agreement with the owners of OptionFortune Trade Limited, the Company issued and allotted 3,868,615 Ordinary Shares (Treasury Shares) in certificated form in the name of Capita Trust Company Limited A/c 25379, being US$ 1.54 million at 27 pence, which are held in escrow pending the determination of the 2016 results See Note 12.

13. SHARE-BASED PAYMENT TRANSACTIONS (GROUP)

During the years ended 31 December 2013 and 31 December 2014, the Group introduced two share-based payment arrangements ("2013 Plan") and ("2014 plan") which are summarised below.

Employee Stock Option Plan:

	Year ended 31 December 2015	
	Number of Options	Weighted Average Exercise Price (US$)
Balance at beginning of period	3,714,000	0.01
Granted	2,357,440	0.3080
Lapsed during the period	(4,175,160)	0.0645
Balance at end of period	**1,896,280**	**0.0440**

	Year ended 31 December 2016	
	Number of Options	Weighted Average Exercise Price (US$)
Balance at beginning of period	1,896,280	0.0440
Granted	569,800	0.189
Lapsed during the period	(407 ,020)	0.211
Balance at end of period	**2,059,060**	**0.151**

Type Share Option Plan on behalf of certain senior employees of the Group

Date of Grant:	8 June 2016 (2014 Plan)
Number Granted:	569,800 options to purchase ordinary shares of US$0.0005 each.
Contractual life:	10 years
Vesting conditions:	330,441 on the first year of grant, 101,010 option a year after the date of grant, 87,628 after two years and 50,721 on the fourth year.
Earliest Exercise date:	8 June 2016
Exercise price:	US$0.189

The model inputs for the 2016 grant were:

- share prices at grant date US$0.189;
- weighted average exercise prices of US$ 0.189;
- expected volatility of 55 per cent;
- contractual life of 10 years; and
- a risk-free interest rate of 4.5 per cent.

Notes to the Financial Statements (continued)

13. SHARE-BASED PAYMENT TRANSACTIONS (GROUP)(continued)

On 8 June 2016 the Company granted 569,800 options respectively, to purchase ordinary shares of the company to 35 employees under a new share-based plan adopted by the board of Directors in November 2014. The options vesting dates ranges from the date of grant and up to 4 years, and are exercisable for a period of 10 years with an exercise price of $0.189 per share.

On 11 November 2016, a former employee of the Company exercised 79,845 options pursuant to the 2014 employee share option plan, to acquire 45,329 ordinary shares of US$0.0005 ("Ordinary Shares") in the Company in consideration for the cancellation of the balance of 34,516 options.

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

The expense and equity reserve arising from share based payment transactions recognised in the Year ended 31 December 2015 and 2016 was US$320,000 and US$153,000 respectively.

14. INCOME TAX EXPENSES

	Years ended 31 December	
	2016	2015
	US$'000	US$'000
Current income tax*	136	100
	136	**100**

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

	Years ended 31 December	
	2016	2015
	US$'000	US$'000
Profit (Loss) before taxation and exceptional loss on group reorganisation.	3,915	(476)
Profit multiplied by standard rate of EIT of 0%	-	-
Effect of Different tax rates in different countries:		
Israeli tax rates 2015-2016: 26.5% -25%	136	100
Cyprus tax rates 2015-2016: 12.5%.	**136**	**100**

15. EARNINGS PER SHARE

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

	Years ended 31 December	
	2016	2015
	US$'000	US$'000
Profit/(loss) attributable to equity holders	1,179	(476)
Weighted average number of shares basic*	68,634,680	65,494,411
Earnings/(loss) per share basic	0.0172	(0.0073)
Weighted average number of shares diluted	69,334,680	65,494,411
Earnings/(loss) per share diluted	0.0170	(0.0073)

*Including treasury shares held in escrow (see Note 12).

The difference between basic and diluted earnings per share is due to shared based compensation transaction. (see Note 13)

16. BUSINESS ACQUISITION

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

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

On 1 January 2016 (the closing date) DragonFinancials started its trading platform activity.
Under the terms of the agreement on 22 March 2017, an amount of 3,868,615 TechFinancials shares, worth US$1.54 million, previously held in escrow, were transferred to the owners of OptionFortune.

Furthermore TechFinancials will make an additional payment, at its option, in either shares or cash worth of US$4.528 million, provided that DragonFinancials' net profit in the calendar year 2017 will be at least US$4.176 million, representing 90% of the net profit Eligible Profit achieved in 2016.

The estimates of the fair value of the assets acquired based on management assumptions:

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

Notes to the Financial Statements (continued)

16. BUSINESS ACQUISITION (continued)

The Contingent consideration from this agreement amounts to US$5.040 million consisting of:

	Period ended 31 December 2016
	US$'000
Current liabilities - Value of consideration due to OptionFortune owners as a result of DragonFinancials milestone achievement in the calendar year 2016.	1,540
Long term liabilities- Assuming that profits in 2017 are at least 90% of the Eligible Profit of US$4.640 million in 2016. Long term liability represents the amount of US$4.528 million discounted at 6% over a period of one year.	4,058
Total Contingent liabilities*	**US$5.598 million**

* The difference of US$0.558 million between the contingent consideration and the contingent liabilities represents the PV as of 1 January 2016 discounted at 6% over a period of one year.

17. OPERATING LEASE COMMITMENTS (GROUP)

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

	As at 31 December	
	2016	2015
	US$'000	US$'000
Within one year	497	491
After one year but before five years	1,492	1,474
After five years	249	861
	2,238	**2,826**

Operating lease payments represent rent payable.
In April 2015, Techfinancials Israel entered into a lease agreement to rent 1,410 square meters of office space at the Industrial Area of Herzliya to be used by the company's Israeli subsidiary. The lease period is until 30 June 2017, with annual rental fees of US$368,000.
Techfinancials Israel has an option to renew the lease for an additional two periods of three and two years each under the same terms.

18. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party in making financial and operating decisions. Some of the Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

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

Payables to key management personnel

The compensation for Shareholders' employed by the Group is analysed as follows:

As at 31 December	2016 US$'000	2015 US$'000
Salaries and other short-term employee benefits	852	630
Salaries and other long-term employee benefits	180	109
	1,032	**739**

Balances with shareholders employed by the Group are analysed as follows:

As at 31 December	2016 US$'000	2015 US$'000
Non - Current Loans Credit	-	(281)
Current Loans Credit	(190)	-
Non - Current Accounts Debit	2	4

The loans bear no interest and are, subject to certain conditions, repayable in three instalments see Note 11.

Notes to the Financial Statements (continued)

19. KEY MANAGEMENT REMUNERATION (GROUP)

Payables to key management personnel

Details of the nature and amount of each element of the emoluments of each member of Key Management for the years ended 31 December 2015 and 31 December 2016 were as follows:

Director	Year ended 31 December 2016	2015
Asaf Lahav*	**US$'000**	**US$'000**
Wages and salaries	224	163
Post-employment benefits	18	13
Other long term benefits	30	35
	272	**211**
Jeremy Lange*		
Wages and salaries	163	134
Post-employment benefits	16	13
Other long term benefits	27	29
	206	**176**
Eyal Rosenblum*		
Wages and salaries	203	149
Post-employment benefits	17	13
Other long term benefits	28	33
	248	**195**
Eyal Alon		
Wages and salaries	76	131
Post-employment benefits	-	13
Other long term benefits	-	14
	76	**158**
Christopher Bell****		
Director's fee	91	78
Eitan Yanuv**		
Director's fee	42	37
Hillik Nissani***		
Director's fee	42	37

Yuval Tovias*		
Wages and salaries	166	132
Post-employment benefits	16	13
Shared based compensation	20	35
Other long term benefits	27	27
	229	**207**
Total	**1,206**	**1,099**

*on payroll
** payment received through Implament Ltd company
*** payment received through CC Habaneros Ltd company
****payment received trough Star tea Ltd company

20. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

As at 31 December 2016, and 2015, substantially all the cash and bank balances as detailed in Note 10 to the consolidated Financial Statements are held in financial institutions which are regulated and located in Israel, Cyprus, Singapore, England and China, which management believes are of high credit quality.

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

	As at 31 December	
	2016	**2015**
	US$'000	**US$'000**
A1	613	1,639
AA-	5,388	136
B3	-	1,616
Other	1,634	-
Caa3	16	-
	7,651	**3,391**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of the Group is as follows:

Notes to the Financial Statements (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

	As at 31 December	
	2016	2015
	US$'000	US$'000
Cash and cash equivalents	7,651	3,391
Restricted bank deposits	279	203
Trade receivables and others	2,119	1,623
Amounts due from a shareholder	2	4
	10,051	**5,221**

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

Trade receivables that are past due but not impaired
The Group's trade receivables that are not impaired are as follows:

	As at 31 December	
	2015	2014
	US$'000	US$'000
Current	1,358	970
31 – 60 days	270	-
61 – 90 days	-	25
91 to 120 days	-	-
	1,628	**995**

Bad debt provision	**US$'000**
At 1 January 2016	289
Bad debt recognised during 2016	541
At 31 December 2016	**830**

Currency risk

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

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2016 and 31 December 2015.

2016	+5% US$'000	-5% US$'000	+10% US$'000	-10% US$'000
Euro	90	(90)	180	(180)
Chinese Yuan	124	(124)	248	(248)
Israeli New Shekel	(17)	17	(34)	34

2015	+5% US$'000	-5% US$'000	+10% US$'000	-10% US$'000
Euro	61	(61)	122	(122)
Israeli New Shekel	46	(46)	91	(91)

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

	Liabilities		Assets	
2016	2016	2015	2016	2015
Euro	9	334	1,770	664
Chinese Yuan	370	-	2,865	-
Israeli New Shekel	1,207	911	872	1,219

Liquidity risk

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

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

The Board receives cash flow projections on a regular basis as well as information on cash balances.

Market Risk

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the capital return to shareholders

Notes to the Financial Statements (continued)

20. FINANCIAL RISK MANAGEMENT (continued)

or issue new shares. No changes were made in the objectives, policies or processes during each of the three years ended 31 December 2016.

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

Trade and other payables

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

	As at 31 December	
	2016	**2015**
	US$'000	**US$'000**
Current 31 – 60 days	1,642	1,383
61 – 90 days	2,764	91
91 to 120 days	140	-
	4,546	**1,474**

21. SEGMENT INFORMATION

Business segment

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

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

The segment information provided to management for the reportable segments for the year ended 31 December 2015 and 31 December 2016 is as follows:

Year ended 31 December 2015	**B2C**	**B2B**	**Services**	
	Trading platform	**Licence income**	**Between segments**	**Total**
Revenue and result:	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Revenues from external customers	5,006	9,070	(501)	13,575
Cost of sales	2,036	2,448	(501)	3,983
Gross profit	**2,970**	**6,622**	-	**9,592**
Research and development	-	2,276	-	2,276
Selling and marketing expenses	3,096	1,151	-	4,247
Administrative expenses	1,756	1,458	-	3,214
Finance expenses	115	116	-	231

Year ended 31 December 2015 Revenue and result:	B2C Trading platform US$'000	B2B Licence income US$'000	Services Between segments US$'000	Total US$'000
Profit before tax from recurring activities	**(1,997)**	**1,621**	**-**	**(376)**
EBITDA*	**(1,843)**	**2,418**	**-**	**575**
EBITDA attributed to shareholders	**(1,843)**	**2,418**	**-**	**575**
Assets and liabilities:				
Assets	1,539	6,974	-	8,513
Liabilities	1,111	786	-	1,897
Depreciation and additions				
Depreciation	35	35	-	70
Additions to property, plant and equipment	109	235	-	344

* Earnings before interest, tax, depreciation and amortisation and non-cash charges

Revenues from the Group's top three customers in 2015 represent approximately 34.6% of the total revenues. Most of the 34.6% is consisting of one customer.

Year ended 31 December 2016

Revenue and result:	B2C Trading platform US$'000	B2B Licence income US$'000	Services Between segments US$'000	Acquisition related **cost US$'000	Total US$'000
Revenues from external customers	10,870	11,527	(1,072)	-	21,325
Cost of sales	2,685	3,062	(1,072)	-	4,675
Gross profit	**8,185**	**8,465**	**-**	**-**	**16,650**
Other (income) expenses	-	(2)	-	-	(2)
Research and development	192	3,144	-	-	3,336
Selling and marketing expenses	2,350	1,852	-	-	4,202
Administrative expenses	1,358	2,719	-	558	4,077
Finance expenses	169	259			986
Profit before tax from recurring activities	**4,116**	**493**	**-**	**(558)**	**4,051**
EBITDA*	**4,329**	**1,313**	**-**	**-**	**5,642**
EBITDA attributed to shareholders	**1,523**	**1,313**	**-**	**-**	**2,836**
Assets and liabilities:					
Assets	10,144	8,302	-	-	18,446
Liabilities	296	2,611	-	5,697	8,604

Notes to the Financial Statements (continued)

21. SEGMENT INFORMATION (continued)

Depreciation and additions	B2C Trading platform US$'000	B2B Licence income US$'000	Services Between segments US$'000	Acquisition related **cost US$'000	Total US$'000
Depreciation	31	69	-	-	100
Additions to property, plant and equipment	-	146	-	-	146

* Earnings before interest, tax, depreciation and amortisation and non-cash charges

** see Note 16

Revenues from the Group's top three customers in 2016 represent approximately 30.21% of the total revenues.

22. COMMITMENTS

The Group had no capital or other commitments as at 31 December 2016.

23. CONTINGENCIES

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

24. GUARANTEES AND LIENS

The Company's subsidiary has provided guarantees in total amount of US$0.188 million in favour of the Landlords of the Techfinancials Israel offices.

This subsidiary has also pledged all its rights to receive funds from a bank, in respect of its deposits in the bank including the yield from these deposits, in a total amount of US$0.202 million to secure the guarantees described above and to secure credit facility for credit cards payments in the amount of US$0.078 million.

25. SUBSEQUENT EVENTS

In February 2017, the Company received a notice of termination from its largest software licensee Richfield Capital, owner of www.24option.com ("Richfield"), to its current agreement with the Group with effect from 1 April 2017. The Company has agreed with Richfield effective 1 April 2017, the terms of a new license agreement that will support this decreased level of trading that Richfield performs on the Company's system.

On 1 March 2017 the board of directors of DragonFinancials, the Company's 51% subsidiary, recommended the payment of a dividend of US$3.000.000, payable within 15 days from the approval. The Company received 51% of that amount.

For further information:

ADVISERS

Grant Thornton UK LLP (Nominated Adviser) Tel: +44 (0) 20 7383 5100
Colin Aaronson / Samantha Harrison / Carolyn Sansom

Northland Capital Partners Limited (Broker) Tel: +44 (0) 20 3861 6625
Patrick Claridge / David Hignell / John Howes

Peterhouse Corporate Finance (Joint Broker) Tel: +44 (0) 20 7469 0932
Lucy Williams / Eran Zucker

Yellow Jersey PR Limited (Media Relations) Tel: +44 (0) 7825 916 715
Felicity Winkles / Alistair de Kare-Silver