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FINANCIAL HIGHLIGHTS

- **Revenues of US$13.4 million decreased by 37%**
  (2016: US$21.3 million)
- **Core software licensing revenues of US$4.3 million decreased by 59%**
  (2016: US$10.4 million)
- **Trading platform revenues of US$8.9 million decreased by 18%**
  (2016: US$10.9 million)
- **New segment blockchain trading technology revenues of US$0.24 million**
- **Net cash generated from operating activities of US$0.2 million**
  (2016: US$5.9 million)
- **Gross margins increased to 76%**
  (2016: 78%)
- **Impairment provision of US$1.5 million made to write-down the value of intangible assets relating to the US and Japanese trading solutions**
- **Operating profit of US$0.8 million**
  (2016: US$5.0 million)
- **EBITDA attributable to shareholders was US$0.3 million**
  (2016: US$2.8 million)
- **Pre-tax loss attributable to shareholders was US$2.49 million**
  (2016: pre-tax profit of US$1.3 million)

FINANCIAL HIGHLIGHTS
(continued)

- **Cash position of US$3.5 million as at 31 December 2017**
  (2016: US$7.7 million) **Cash at 25 June 2018 stood at US$2.8 million.**

- **Basic earnings per share ('EPS') has decreased to a loss of US$0.036**
  (2016: profit of US$0.017)

- **DragonFinancials, the Company's 51% subsidiary, paid dividends of US$7.2 million during 2017 with TechFinancials receiving US$3.7 million for its 51% interest**

- **Loan and Option Agreement with the shareholder of Cedex Holdings Ltd ("CEDEX") – loan of US$0.4 million made in 2017 in exchange for an option to acquire 90% of CEDEX in addition to initial 2% shareholding acquired as the first step part of new strategy of the Group in entering blockchain-based trading solutions**
  (out of the initial loan amount US$0.33 million was repaid by CEDEX on 5 June 2018)

- **As of 31 December 2017, the fair value of the option is US$8.9 million based on Black Scholes model**
  (see Note 18).

OPERATIONAL HIGHLIGHTS

Blockchain Trading Technology Activity

- TechFinancials provided financing to CEDEX, a company engaged in an ICO, in exchange for receiving an option to hold an interest of up to 92% in CEDEX or up to 87.4% on a fully diluted basis.
- As at 31 December 2017, the fair value of the option was US$8.9 million based on the Black Scholes model. The recognition of the option value is deferred and will be recognized as a gain or loss, only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability, which is the completion of the ICO in April 2018.
- The Company commenced a new activity related to blockchain trading technology developing an array of new products, where CEDEX was its first customer.

Software Licensing (B2B)

- There has been a reduction in B2B software licensing operations due to:

  Continued regulatory tightening which caused financial institutions such as banks and payment service providers (PSPs) to terminate services to binary options platforms. There has been a similar effect on marketing service providers.

  In addition, the termination of the contract with 24option.com, our largest customer in 2016 has depressed revenues.
- Two development projects cancelled namely the Introducing Broker product in the United States with Cantor Fitzgerald, and a regulated solution in Japan - intangibles assets impaired by US$1.5 million.
- R&D efforts focused on solutions for Asian markets have now shifted from binary options to Forex.
- Transfer of the R&D team from Israel to Ukraine for regulatory reasons and to reduce costs.

OPERATIONAL HIGHLIGHTS

Trading Platform (B2C)

- TechFinancials completed the successful integration and operation of the DragonFinancials trading platform, focused on the Asia Pacific Region. This has contributed to the profitability of the B2C division.
- Renouncement of CIF license of BOT, ceasing the operation of OptionFair in February 2018. In line with TechFinancials' wider strategy, BOT has notified the Cyprus Securities and Exchange Commission ("CySEC") of its intention to withdraw its Cyprus Investment Firm "(CIF") authorization.

Chairman's Statement

2017 has been an important year for the development of the Company, despite facing a number of challenges over the course of the year. The loss of our largest customer 24option and the ongoing uncertainty surrounding the regulatory environment have adversely affected our core B2B software licensing business, leading to a fall in revenues. These challenges have meant that we have had to focus on diversifying our business offering by introducing new products as well as carefully reviewing and managing our cost base.

Our approach to mitigate the impact of these negative factors is to be continually innovative in terms of new products, which has helped to alleviate the fall in revenues and profits whilst at the same time, providing a strong foundation for 2018 and beyond. In response we have developed a new strategy, based on innovative products, which the Board expects to drive future revenues. The Group has been developing its technology since H2 2017 to allow merchants to integrate a crypto-payment processing of Bitcoin, BitcoinCash and Ethereum into their systems. This technology was integrated successfully into TechFinancials' core systems in Q1 2018 (and licensed to CEDEX, our first customer of this product). During H2 2017, the Company was focused on supporting the CEDEX token sale and has continued to deepen its technical and business knowledge in blockchain and crypto implementation. The Group will continue to support the CEDEX project and transfer its blockchain and crypto knowledge into new technologies, services and solutions. One of the potential solutions that the Company is working on, based on the Crypto Payment Solution, is centimize.com - a safer and simpler way to acquire crypto paying customers. This solution is targeting merchants looking to boost their bottom line with a fast-growing cryptocurrency payments channel, receiving, storing and transferring funds rapidly, reliably and securely.

Overall, revenues have decreased by 37% and losses attributable to Shareholders were US$2.6 million against a profit of US$1.2 million in 2016. EBITDA has fallen from US$5.6 million in 2016 to US$2.9 million in 2017.

During the year, TechFinancials has managed the loss of our largest B2B customer and focused on diversifying its products, adding to the simplified Forex platform, mobile trading solutions and the add-on CFD platform. We have also built on our investment in and partnership with DragonFinancials, which operates our B2C trading platform in Asia. We continue the process of shifting the focus from binary options to Forex and CFD, as well as other new products.

DragonFinancials generated a profit of US$5.3 million against US$5.6 million in 2016 and paid dividends totalling US$7.2 million of which TechFinancials received US$3.7 million. These results meant that the additional contingent consideration became payable to our partners and was settled in May 2018 by the issue of new shares to OptionFortune shareholders to the value of US$4.5 million.
The regulatory environment continued to tighten and depress trading activity, particularly in European markets. In February 2018, the Company decided to cease the activity of OptionFair and to return the licence to CySEC which means that it no longer has a presence in any European markets (although the B2B business has retained some customers in Europe). This action is expected to

enhance the Group's B2C performance in 2018 as OptionFair was loss-making in 2017.

Our B2B software licensing business segment has suffered from the customer loss and increasingly tough regulatory conditions with revenues falling by 55% to US$5.1 million and EBITDA declining from a profit of US$1.3 million in 2016 to a loss of US$1.5 million in 2017. However, our policy of diversifying our product range through the simplified Forex, CFD platform and mobile trading solutions has helped to limit the loss of revenues. Whilst these products are not expected to have a significant impact on 2018 revenues, implementing a professional Forex trading platform MetaTrader 5 into our B2C Joint Venture DragonFinancials will support future growth.

A detailed analysis of the financial performance of each segment of the Group's business is provided in Note 24 to the financial statements.

The decline in the Group's financial performance has reduced our cash flows and at the year-end, the Company's cash balances stood at US$3.5 million against US$7.7 million last year (due in part to the payment of dividends to the 49% shareholder in DragonFinancials). Whilst we have seen cash flows decline, we have continued to invest in new products and R&D to support future growth opportunities. Significantly, TechFinancials entered into a loan and option agreement with the shareholders of CEDEX in October 2017. CEDEX will operate what the Company believes will be the first blockchain-based online diamond exchange with a long-term vision to transform the traditional diamond industry into a financial tradeable asset. This was followed by the signing of a Share Purchase Agreement (SPA) in December 2017 for the Company to acquire to acquire 2% of CEDEX, which in addition to its option to acquire 90% of CEDEX, gives it the right to acquire up to 87.4% on a fully diluted basis.

We have further increased our R&D team in Ukraine, whilst discharging staff in Israel, in order to support the strategy of product diversification.

Notwithstanding the challenges of the past year, the Group's cash position remains strong. We have had to be agile in a rapidly changing industry and the new products and initiatives are designed to support our growth strategy and to enable TechFinancials to deliver returns to shareholders by way of a progressive dividend payment policy. Cash was US$3.5 million as at 31 December 2017 and at 25 June 2018 stood at US$2.8 million (this does not include cash within CEDEX).

Alongside the development of new opportunities, we have sought to rationalize those activities which are not core to our future business strategy. The regulatory changes which have impacted the binary options sector led us to actively seek divestment of B.O TradeFinancials ("BOT") and MarketFinancials ("MF"). BOT is a Cyprus Investment Firm ("CIF") licensed by the Cyprus Securities and Exchange Commission ("CySEC"), and was the operator of the Group's OptionFair trading platform. Until 30 June 2017, MF, which is regulated by the Seychelles Financial Services Authority ("SFSA"), was the provider of market maker services and risk management to DragonFinancials. MF no longer provides market making services to BOT - it ceased activity on 26 February 2018 when we notified CySEC of our intention to return the license and close OptionFair which was operated by BOT.

In November 2017, we signed conditional agreements for the sale of both BOT and MF. However, in February 2018, we decided not to progress with the proposed sales as the buyer had not secured the relevant regulatory consents for the acquisition of either BOT or MF. We are carefully considering our options with regard to the shareholdings in BOT and MF and will continue to focus our attention on developing the Forex and CFD and other innovative solutions, including solutions for the rapidly growing blockchain-based products and technologies market. In this connection, the Group has been developing technology to integrate the crypto-payment processing of Bitcoin, BitcoinCash and Ethereum into TechFinancials' core systems which was implemented successfully in Q1 2018 (and licensed to CEDEX, our first customer of this product). The Group will continue to apply additional technologies and knowledge and provide services to support the innovative CEDEX project that intends to use blockchain trading technology to revolutionize the diamond-trading market.

Chairman's Statement (continued)

REGULATION

As I have highlighted above, the regulatory environment surrounding the financial services industry and marketing of binary options, Forex and CFD trading in a number of countries has continued tightening and it has had an impact on our product offerings and financial performance.

The ban by the European Securities and Markets Authority on binary options, that will take effect on 2 July 2018, and the restrictions on CFDs that will take effect on 1 August 2018, will continue to be a challenge for that industry as a whole in 2018 and beyond.

In light of this, TechFinancials will continue to take steps to mitigate the impact of these regulatory changes on the business, focusing on new areas of blockchain trading technologies and solutions as a core part of our strategy. Additionally, we will continue to offer and provide solutions as we divert our focus from binary options to the offering of Forex and CFD online trading solutions, including the implementation of the third-party professional Forex trading platform, MetaTrader 5.

MARGINS

Gross profit decreased by 38.8% to US$10.19 million from US$16.65 million in 2016, largely due to the lower revenues from the core B2B software licencing business, which has traditionally higher margins than the B2C trading platform business. The gross margin in the period decreased to 76% (2016: 78%).

In a shrinking market, the Company has had to be conscious of its cost levels and, by reducing headcount, and management and operational costs (employee costs in Ukraine are some 30% lower than in Israel), the Group has been able to limit the fall in margins.

BUSINESS SUMMARY AND OPERATIONAL REVIEW

B2B

Our core software licensing business has seen a significant reduction in revenues, primarily as a result of the loss of our major customer. We received prior notification that our largest software licensee, Richfield Capital, owner of www.24option.com , intended to terminate its agreement with the Group with effect from 1 April 2017. As a result, we were able to plan for this loss and have worked hard to offset this loss by diversifying our product offering through the simplified Forex platform and mobile trading solutions and the launch of the add-on CFD platform in the second half of 2016. However, as the entire market is shrinking, we expect to see a further reduction in B2B revenues in 2018, hence our strategic focus on new technologies, including blockchain trading products and solutions.

Overall, our software licensing revenues have declined on a standalone basis by 55% to US$5.1 million. EBITDA fell from US$1.3 million in 2016 to a loss of US$1.5 million in 2017.

B2C

DragonFinancials, the B2C binary options trading platform focused on the Asia Pacific region and the partnership with the owners of OptionFortune, has continued to perform well. Pre-tax profit of the division was stable at US$4.1 million and it continues to generate good cash flow for the Group.

On 1 March 2017, DragonFinancials declared the payment of a dividend of US$3.0 million, followed by further dividends of US$2.0 million on 1 August 2017 and US$2.2 million on 20 December 2017. All such dividends, totalling $7.2 million, were paid in 2017, with TechFinancials receiving US$3.7 million for its 51% interest.

Overall, revenues have decreased by 18% to US$8.9 million. This includes revenues of US$7.2 million from DragonFinancials. With careful control of overheads, the division achieved EBITDA of US$4.4 million against US$4.3 million in 2016. In 2018, binary option revenues will continue to decrease due to the challenges and changes that this industry is facing.

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

BLOCKCHAIN

As part of TechFinancials' vision and the new strategy of the Group to focus on new areas of blockchain trading technologies and solutions, in October 2017, we entered into a loan and option agreement with the shareholders of CEDEX. CEDEX will operate what the Company believes will be the first blockchain-based online exchange for diamonds with a long-term vision to turn the traditional diamond industry into a financial tradable asset.

Under the loan and option agreement, the Group agreed to make an unsecured loan funding of US$0.4 million available to the CEDEX group to develop its technology. On 5 June 2018, CEDEX repaid US$0.33 million out of the initial loan amount.

It is envisaged that CEDEX will also utilise the Company's knowledge and expertise. In addition, we may provide technical development services to assist CEDEX with the development of the trading platform. The Group received blockchain trading technology revenues of US$0.24 million from CEDEX. TechFinancials will continue to serve CEDEX throughout 2018 and provide software services and some of the components for the CEDEX platform.

The collaboration with CEDEX is a strategic development aligned with the Company's long-term vision of utilizing its expertise and considerable experience in the development of online financial trading solutions and technology systems to further expand into new product areas. It is anticipated that CEDEX will provide a novel way to invest in diamonds, aligned with the Company's vision of simplifying trading instruments.

In addition under the SPA TechFinancials agreed to make an equity investment of US$0.2 million at a post-money valuation of US$10 million, representing 2% of CEDEX's current capital on a fully diluted basis. TechFinancials also agreed a three-year option to acquire a further 90% of CEDEX at an exercise price of US$62 thousand, giving a potential maximum holding of 92% or 87.4% on a fully diluted basis.

TechFinancials has continued to develop its Forex and CFD and other innovative solutions including solutions for the rapidly growing blockchain-based products and technologies market. In particular, the Group has been developing technology to integrate the crypto-payment processing of Bitcoin, Bitcoin Cash and Ethereum into TechFinancials' core systems, which were implemented in Q1 2018. The Group will also apply its technology and knowledge to support the innovative CEDEX project in the diamond-trading market.

DIVIDENDS

The Board will not be recommending a final dividend to the Shareholders of the Company for FY2017. The Board's intention is to resume dividend payments when it is prudent to do so.

OUTLOOK AND CURRENT TRADING

2017 has been a transitional year with numerous challenges. However, we have been proactive in developing new technologies and seeking new investment opportunities to support future growth.

The Board is confident about the long-term prospects of the Group and it has continued to invest in new product lines and services for the future, as it adapts to the evolving regulatory environment.

Chairman's Statement (continued)

However, it is expected that revenues will continue to decline throughout 2018 althogh appropriate mitigation actions have been and continue to be put in place to contain our expected losses.

I would like to thank all of our Shareholders and staff for their continued support, and we look forward to updating the market on the Company's progress in due course.

Christopher Bell
Independent Non-Executive Chairman
26 June 2018

Strategic Report
for the year ended 31 December 2017

FINANCIAL RESULTS

The Group's revenues for the year ended 31 December 2017 decreased by 37.3% to US$13.36 million (2016: US$21.32 million).

Revenues in the core B2B software licencing business decreased on standalone basis by 55.39 % to US$ 5.14 million from US$11.53 million in 2016. The decrease was mainly due to the termination of the previous software license agreement with our largest customer and the increasingly tight regulation in the industry.

The B2C trading platform revenues decreased by 18.5% to US$8.86 million from US$10.87 million in 2017. DragonFinancials, which operates our B2C trading platform in the Asia Pacific region, started operations in January 2016 and produced revenue of US$8.5 million compared with US$9.3 million in 2016. The positive financial performance of DragonFinancials meant that additional contingent consideration of US$4.53 million became payable which was settled in May 2018 through the issue of shares as outlined in Note 17.

Our new blockchain trading technology division generated US$0.24 million of revenues (from CEDEX) and a pre-tax profit of US$26k.

Gross profit decreased by 38.8% to US$10.19 million from US$16.65 million in 2016, predominantly due to the lower revenues from the core software licencing business, which has traditionally higher margins than the trading platform business. The gross margin in the period decreased to 76% (2016: 78%).

B2B margins increased from 73.4% to 75.9%, whilst margins in the B2C division have declined from 75.3% to 70.7%,

Operating profits decreased by 83.8% to US$0.82 million (2016: US$5.04 million). We have achieved savings in research and development expenditure partly by transferring staff to Ukraine where costs are lower, whilst other operating expenses, including selling and marketing and administrative costs, decreased broadly in line with the decrease in revenues.

However, R&D expenditure decreased by only 13% to US$2.9 million, reflecting a continued focus on product innovation, regulation and improving customer experience.

The amount of R&D expenditure capitalised was US$0.04 million compared with US$0.3 million in 2016.

Administration costs reduced significantly by 25% to US$3.0 million which reflects a reduced headcount and tight control of overhead expenditure.

Selling and marketing costs reduced significantly by 54% to US$1.9 million, reflecting a curtailing of marketing activities whilst the Group restructured its activities and shifted focus to new technologies and products.

The Group recognised a finance charge of US$0.47 million in respect of the contingent consideration payable to the owners of OptionFortune due to the positive financial performance of DragonFinancials as fully described in Note 17.
The Group cancelled two development projects resulting in an impairment charge of US$1.50 million

against expenditure previously capitalised. In the US market, the Company has been developing a trading solution for the Introducing Broker product which would allow TechFinancials' licensees, including the Group's own brands, to operate in a fully regulated environment through the Cantor Exchange, a US regulated retail-focused binary options exchange owned by Cantor Fitzgerald. Cantor has tried to reach a broader range of retail customers via different initiatives including with major binary option players like 24option.com and others via online marketing that they have conducted themselves. However, these initiatives generated low trading volumes that resulted in minimal revenues to TechFinancials and failed to justify the expenses related to keeping the market making activity solution developed by TechFinancials. In Japan we have also been developing a regulated solution. However, we have been unable to source brokers in Japan to license the regulated platform partly due to high costs of obtaining a Japanese Financial Services Agency license.

Overall, the Group managed to record a profit before taxation of US$0.12 million (2016: US$4.05 million) and a small profit after taxation of US$5k (2016: US$3.92 million).

Notwithstanding the decreases in B2C trading platform revenues, EBITDA for the division was stable at US$4.38 million compared with US$4.33 million in 2016. The lower costs of operating in Asia have also contributed to maintaining profitability.

B2B licence income has produced US$1.48 million of EBITDA losses compared with US$1.3 million of EBITDA profit in 2016. The decline in revenues and margins have made the division loss-making but operational costs and R&D expenditure were each reduced as the Group restructured its activities.

There is a tax expense of US$0.11 million in 2017 (2016: US$0.14 million). 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. The Group is taxable at a rate of 24% of the assessable profits in Israel (2016: 25%) while in Cyprus the statutory rate of tax is 12.5%. Further details are provided in Note 15.

Basic earnings per share ('EPS') have decreased from US$0.0172 in 2016 to a loss of US$ 0.0358 in 2017. On a diluted basis, EPS decreased from US$1.70 cents in 2016 to a loss of US$3.58 cents.

The Group cash generated from operating activities was US$173k compared with net cash of US$ 5.92 million generated in 2016.

Cash outflows from investing activities were US$0.80 million (2016: US$0.55 million). This included US$0.4 million in respect of the loan made to the shareholder of CEDEX.

Cash outflows from financing activities were US$3.62 million (2016: US$1.07 million), which reflects the dividend payment of US$3.53 million to the non-controlling partners, the shareholders of DragonFinancials.

The Group has continued to place great importance on strong controls over working capital and the collection of cash from operators. However, debtor days at the end of 2017 were 58 days compared with 28 days at the end of 2016, reflecting a slowdown in the B2C collections from PSPs (payment solution provider).

The Group's cash position at 31 December 2017 was US$3.50 million (31 December 2016: US$7.65 million).

OPERATIONS

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

Despite the loss of our single largest customer, we have continued to invest in R&D, particularly in Forex and CFD and are now developing blockchain technologies which we believe will be critical in our focus on innovation to drive shareholder value.

We have made our first investment in blockchain by way of a loan to and shares in CEDEX, and we have been granted options to acquire a controlling stake in this company.

Strategic Report (continued)
for the year ended 31 December 2017

The investment made in DragonFinancials in 2016 has exceeded our expectations and minimized the impact of the decline in the B2B binary options segment. DragonFinancials' success has meant that we have now made a further consideration payment to the owners of OptionFortune.

We have had to cancel projects in the United States and Japan but remain committed to a programme of R&D to support future growth. 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 extremely well placed to capture growth from new products and markets.

We have also renounced our CIF authorized license of BOT, ceasing the operation of OptionFair in order to reduce costs in areas the group does not forecast a profitable future.

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

KEY PERFORMANCE INDICATORS

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

- Numbers of licensees using the Group's software: 13 (2016: 34).
- Total number of trades executed through its licensees: 8.16 million (2016: 20.98 million).
- Total revenues: US$13.4 million (2016: US$21.3 million)
- EBITDA attributable to shareholders: US$0.3 million (2016: US$2.8 million)
- Cash generation from operating activities: US$0.3 million (2016: US$5.9 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 23, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for simplified trading solutions and blockchain trading technology products.

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

The Group seeks to mitigate this risk by diversifying exposure across geographical markets, increasing the number of market sectors in which 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.

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

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

Potential downturn in the market for CEDEX post exercise of the option

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

Blockchain trading technology valuations are subject to volatile movements which might impact the Group's financial condition. In light of the fact that the Group develops new products with no experience in marketing and proof of the markets of them, it conducts extensive research before making investments as a means of mitigating these risks.

Information technology risks

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

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

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

Intellectual property risks

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

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

Strategic Report (continued)
for the year ended 31 December 2017

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

Payment processing risks

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

2017 has also seen a significant ramp up of due diligence requirements by international banks and in many cases a reluctance to open accounts even for regulated entities. The effect is an increased risk of payment default from the Group's software licensees. A continuation of these occurrences could have a material adverse effect on the Group's operations, financial performance and prospects.

Competition risks – Trading Platform

The simplified binary option continues to face stiffer regulation and Forex trading markets are becoming more competitive. Furthermore, the market may attract new online brokerages which would compete with the Group's brands for customers. Such new market entrants could include much larger and better resourced companies than the Group, which could 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, particularly with regard to the Forex business.

Dependence on key customers and partners

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

Attracting and retaining talented staff

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

Regulatory/Compliance Risk

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

Several European regulators have embarked on measures to ban the marketing of binary options within their jurisdictions whilst also imposing severe limitations on CFD and forex trading offered to retail clients. The introduction of MiFID II in January 2018 will present a new dawn for European regulatory law. Thus far, MiFID II has not brought about any changes to the product offerings but has introduced more general restrictions. However, it is probable that a consultation process currently underway will reshape the binary products allowed in Europe although it may result in the banning of products other than the fixed strike product that the Company is familiar with from its development work in USA and Japan.

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

We believe that regulatory demands will inevitably increase further in 2018.

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

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

Governments are expected to increase regulatory controls over the ICO market, cryptocurrency exchanges, and traders. This may result in increased controls over token sales whereby tokens in an ICO are considered securities and regulated under relevant laws.

Corporate Responsibility

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

Governance

The Board considers sound governance as a critical component of the Group's success and has made it one of its highest priorities. The Company has an effective and engaged Board, with a strong non-executive presence from 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 24 to 26.

Employees and their development

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

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

Diversity and inclusion

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

Health and safety

The Group endeavours to ensure that the working environment is safe and healthy and conducive to the wellbeing of employees who are able to balance work and family commitments. The Group has a Health and Safety at Work policy which is reviewed

Strategic Report (continued)
for the year ended 31 December 2017

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 diversify our online trading solutions as a means of withstanding increased regulation and to soften the blow from the effects of the loss of its largest B2B customer. We have now made the final consideration payment for 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 implementing new innovative technologies to meet the changing demands of our global customer base and to target markets with high growth potential and to 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 Company's wider strategy is to cease any B2C operation in the EU and to focus only on B2C trading in Asia Pacific region via its Joint Venture, DragonFinancials. In Asia, we are shifting the focus from binary options to Forex and CFD products. Such shift will take time and we expect to see a reduction in revenue before it will recover. In Europe, we are carefully considering options for BOT TradeFinancials and MarketFinancials following the decision not to sell these businesses. This may involve closing down BOT and either disposing of MF or using the company for other Group activities.

The Group's growth strategy is being developed around its plans for blockchain technologies and its investment in CEDEX, a blockchain-based on-line exchange for diamonds. We currently have a 2% interest and an option to acquire a further 90%, which would give TechFinancials up to 92% of CEDEX or 87.4% on a fully diluted basis.

TechFinancials intends to apply the extensive experience and knowledge accumulated over many years, to continue to develop innovative solutions for the rapidly growing blockchain-based products and technologies market. In this connection, the Group has been developing technology to integrate the crypto-payment processing solutions of Bitcoin, Bitcoin Cash and Ethereum into TechFinancials' core systems, which were implemented in Q1 2018 by CEDEX.

We remain committed to creating value for Shareholders and I would like to thank our Shareholders once again for their continued support during this challenging year.

Asaf Lahav
Chief Executive Officer
26 June 2018

Directors' Report
for the year ended 31 December 2017

The Directors present their report on the Group, together with the audited Financial Statements of the Group for the year ended 31 December 2017.

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 38 to 44.

The Board's dividend policy is to make progressive payments subject to the Company having adequate distributable reserves. No dividend has been declared to the Company's Shareholders (2016: no dividend)

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 23 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 13 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 14.

RESEARCH AND DEVELOPMENT

The main areas of research and development activities in 2017 have been the maintenance of the existing trading solutions and the development of new blockchain trading technology as covered in the Strategic Report on pages 11 to 17.

POST BALANCE SHEET EVENTS

- In April 2018, CEDEX successfully completed the process of selling a total of 30.2 million digital coins (" CEDEX Coins") by way of a Token Sale. In this

Directors' Report (continued)
for the year ended 31 December 2017

connection, CEDEX sold a material proportion of the CEDEX coins available for sale in return for a substantial amount of Cryptocurrency (Bitcoin and Etherium) and Fiat. The introducer of certain purchasers received options to acquire up to 5% of CEDEX, which would give TechFinancials up to 87.4% holding of CEDEX on a fully diluted basis.

- As noted in the Strategic Report, the Company renounced its CIF license of BOT, ceasing the operation of OptionFair in February 2018. In line with TechFinancials' wider strategy, BOT notified the Cyprus Securities and Exchange Commission ("CySEC") of its intention to withdraw its Cyprus Investment Firm "(CIF") authorization.

- Under the terms of the agreement with the owners of Optionfortune, a total of 12,406,352 TechFinancials' ordinary shares were issued at a price of £0.27 per share to the OptionFortune Shareholders, in lieu of payment of US$4.53 million in April 2018.

DIRECTORS

The Directors of the Company during the year and 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 resigned 19 April 2017	Group Chief Operating Officer	14/11/2014		
Hillel (Hillik) Nissani resigned 14 February	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 one executive and two independent non-executive directors.

Christopher Bell, Independent Non-Executive Chairman

Christopher Bell has more than 27 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 also an Independent Non-Executive Chairman of XL Media plc, a Senior independent Director of Rank Group plc, a Non-Executive Director of Gaming Realms plc and Royal Airforce Charitable Trust Enterprises. Prior to joining Ladbrokes plc, Mr Bell held senior Executive positions at 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.

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 2017 are disclosed in Note 22 and any changes subsequent to 31 December 2017, are disclosed in Note 28 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 20 to the Financial Statements.

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

SUBSTANTIAL INTERESTS

As at 10 June 2018, the Company has been advised of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Shen Chaohui	15,528,225	18.27%
Eyal Alon	9,643,183	11.35%
Asaf Lahav	9,154,546	10.77%
Jeremy Lange	7,039,912	8.28%
Miton Group	5,987,506	7.05%
Eyal Rosenblum	5,241,836	6.17%
Danny Magen	4,750,000	5.59%
Equilibrium Solutions	4,444,245	5.23%
Evian Investment Ltd.	3,042,004	3.58%

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

A resolution for the re-appointment of PKF Littlejohn LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting ('AGM') will be held at 09:30 a.m. on 8 August 2018, 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.

MARKET ABUSE REGULATIONS

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 are included on pages 21 to 22.

At 31 December 2017, the Board comprised one 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 Director 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 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 Director 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 reappointment, but as between persons who became or were last re-appointed Directors on the same day those to retire shall (unless they otherwise

Corporate Governance Report (continued)

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.

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.

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.

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 2017 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, and Christopher Bell. The Committee was formed in March 2015 and has held three meetings in 2017. Further details on the Audit Committee are provided in the Report of the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Eitan Yanuv who chairs the committee and Christopher Bell. The Committee was also formed in March 2015. The Committee has held two meetings in 2017. 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. 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 which was most recently updated in April 2016. 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 plans. 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.

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 ("BOT"), which was regulated by CySEC, outsourced its internal audit function in respect of the trading platform. The internal auditors made recommendations in line with changes in the law and/or regulatory practices. Such recommendations have been acted upon by BOT under the supervision of the Company's compliance officer. In March 2018, in line with TechFinancials' wider strategy, BOT notified the CySEC of its intention to withdraw its Cyprus Investment Firm ("CIF") authorization.

As a result of the notification of the return of the license, MarketFinancials ("MF") has terminated its market maker services with BOT, which was its only source of income. TechFinancials is reviewing its plans to sell MF, along with its license, and the Company intends to provide a further update on this process in due course.

As previously stated, TechFinancials is now focusing its attention on supporting the most profitable parts of the business and developing new products and technologies, in particular, its rapidly-growing blockchain-based products. The Company's wider strategy is to cease any B2C operation in the EU and to focus only on B2C trading in Asia Pacific region via its Joint Venture, DragonFinancials.

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 is licensed and regulated by the Financial Services Authority in Seychelles for provision of securities dealer services. MarketFinancials has outsourced its compliance officer function in respect of the services it may provide (although no such services have so far been provided).

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 14 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 22 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.

SHARE OPTION PLAN

The Company operates an Employee Stock Option Plan (ESOP). Further details are provided in Note 14 to the Financial Statements.

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. website 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 ______________________

26 June 2018

Independent Auditor's Report
to the Members of Techfinancials, Inc.

OPINION

We have audited the group financial statements of TechFinancials, Inc (the 'Group') for the year ended 31 December 2017 which comprise: the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.
In our opinion, the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its profit for the year then ended; and

- have been properly prepared in accordance with IFRSs as adopted by the European Union.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

OUR APPLICATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Materiality for the consolidated financial statements was set as $275,000 (2016: $318,000) based upon a blend of revenue, profit before tax and gross assets.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the Directors and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters

Independent Auditor's Report (continued)

consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

A full scope audit was performed on the complete financial information of all six components of the group.

Of the six reporting components of the group, one is located in each of the British Virgin Islands, Cyprus, Israel and Vanuatu. Two entities are located in the Seychelles. PKF Littlejohn LLP audited the ultimate parent company, situated in the British Virgin Islands. The remainder of the group entities were audited by component auditors. The Senior Statutory Auditor interacted regularly with the component audit team during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the group financial statements.

KEY AUDIT MATTERS

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

Key Audit Matter	How the scope of our audit responded to the key audit matter
Revenue Recognition	
Revenue mainly arises from the licensing of products/services and there is the risk that revenue has been incorrectly calculated and recognised in the incorrect period. There is also the risk that any continuing support element of contracts are not accounted for appropriately.	We have performed the following work in order to address the identified risk: ◇ Updated our understanding of the internal control environment in operation for the significant income streams and undertaking a walk-through to ensure that the key controls within these systems have been operating in the period under audit. ◇ Undertook a test of controls to ensure correct split of revenue for any support services imbedded in contracts. ◇ Undertook substantive transactional testing of income recognised in the financial statements, including deferred and accrued income balances recognised at year end. ◇ Undertook cut off testing around the year end. ◇ Undertook a review of post year end receipts to ensure completeness of income recorded in the accounting period.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Intangible Assets	
The Group holds intangible assets of approximately $6m in respect of capitalised development costs, including over $100k of additions during the year and an impairment charge of $1.5m. There is a risk that the expenditure has been incorrectly capitalised in accordance with IAS 38 and that impairments have not been recognised in accordance with the indicators per the Standard.	We have performed the following work in order to address the identified risk: ◇ Review and substantive testing of a sample of costs capitalised to ensure that they meet the recognition criteria per IAS 38. ◇ Enquire of management regarding the technical and commercial feasibility of development costs capitalised during the year. The entity must intend and be able to demonstrate how the assets will generate future economic benefits. Corroborate to underlying documentation where possible. ◇ Review the expenditure incurred and the allocation basis provided by management and assess appropriateness of asset classifications. ◇ Review the impairment assessments undertaken by management for each project and consider whether any indicators of impairment are present under IAS 38.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report
(continued)

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 29 January 2018. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

26 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 US$'000	2016 US$'000
Revenue		13,362	21,325
Cost of sales		(3,170)	(4,675)
Gross profit		**10,192**	**16,650**
Other income		-	2
Research and development		(2,916)	(3,336)
Impairment of Intangible assets	6	(1,501)	-
Selling and marketing expenses		(1,918)	(4,202)
Administrative expenses		(3,039)	(4,077)
Operating profit/(loss)		**818**	**5,037**
Bank fee		(85)	(141)
Foreign exchange loss		(150)	(285)
Finance cost of contingent consideration		(471)	(558)
Other financials income (expenses)		4	(2)
Financing expenses		**(702)**	**(986)**
Profit before taxation		**116**	**4,051**
Income tax (expense)	15	(111)	(136)
Profit after taxation		**5**	**3,915**
Total comprehensive income		**5**	**3,915**
Profit/ (loss) attributeable to:			
Owners of the Company		(2,599)	1,179
Non-controlling interest	17	2,604	2,736
Profit for the period		**5**	**3,915**

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2017

	Note	Year ended 31 December	
		2017	2016
Earnings per share attributable to owners of the parent during the year:		US$'000	US$'000
Basic (Cents USD)	16	(3.58)	1.72
Diluted (Cents USD)	16	(3.58)	1.70

* The Notes on pages 45 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	Year ended 31 December 2017 US$'000	2016 US$'000
Non-current assets			
Intangible assets	6	6,026	7,843
Property and equipment	7	671	510
Other long term assets	8	90	42
		6,787	**8,395**
Current assets			
Trade and other receivables	9	3,377	2,121
Restricted bank deposits	10	305	279
Cash	11	3,499	7,651
		7,181	**10,051**
Total Assets		**13,968**	**18,446**
Current liabilities			
Consideration due to shareholders	17	4,528	-
Trade and other payables	12	1,559	4,546
Income tax payable		78	138
		6,165	**4,684**
Non-current liabilities			
Contingent consideration	16	-	4,058

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

	Note	Year ended 31 December	
		2017	2016
Equity		US$'000	US$'000
Share capital	13	55	55
Share premium account		7,500	7,500
Treasury shares		-	(1,540)
Share-based payment reserve	14	922	925
Accumulated profits / (losses)		(1,510)	1,008
Equity attributable to owners of the Company		**6,967**	**7,948**
Non-controlling interests		836	1,756
Total equity		**7,803**	**9,704**
Total Equity and Liabilities		**13,968**	**18,446**

* The Notes on pages 45 to 80 are an integral part of these consolidated financial statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 26 June 2018 and are signed on its behalf by:

Asaf Lahav
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital (Note 13) US$'000	Share premium (Note 13) US$'000	Treasury Shares (Note 12) US$'000	Share based payment reserve (Note 14) US$'000	Accumulated profits/(losses) (Note 13) US$'000	Total US$'000	Non controlling interests (Note 17) US$'000	Total US$'000
Balance at 1 January 2016	**36**	**5,979**	**-**	**877**	**(276)**	**6,616**	**-**	**6,616**
Total comprehensive income for the year	-	-	-	-	1,179	1,179	2,736	**3,915**
Dividends	-	-	-	-	-	-	(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**
Total comprehensive income (expense) for the year	-	-	-	-	(2,599)	(2,599)	2,604	**5**
Dividends	-	-	-	-	-	-	(3,524)	**(3,524)**
Share based payment	-	-	-	78	-	78	-	**78**
Transfer of Share based payment reserve on lapsed options	-	-	-	(81)	81	-	-	**-**
Treasury shares	-	-	1,540	-	-	1,540	-	**1,540**
Balance at 31 December 2017	**55**	**7,500**	**-**	**922**	**(1,510)**	**6,967**	**836**	**7,803**

* The Notes on pages 45 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

The consolidated statements of cash flows for the Group for the years ended 31 December 2016 and 31 December 2017 are set out below:

	Note	Year ended 31 December	
		2017	2016
Cash Flows from operating activities		US$'000	US$'000
Profit before tax for the period		116	4,051
Adjustment for :			
Profit on disposal of property and equipment		-	3
Amortization of intangible assets	6	422	352
Impairment of intangible assets		1,501	-
Depreciation of property and equipment	7	104	100
Share option charge	14	78	153
Operating cash flows before movements in working capital			
(Increase)/decrease in trade and other receivables	9	(856)	(494)
(Increase) in long term receivables		(48)	(42)
(Decrease)/ increase in trade and other payables	12	(1,447)	1,799
Increase in long term contingent consideration		471	-
Interest Expenses		3	2
Income tax paid		(171)	-
Net cash generated from/(used) operating activities		**173**	**5,924**
Cash flows from investing activities			
Proceeds from disposal of propety, plant and equipment		-	10
Increase of restricted bank deposits	10	(26)	(76)
Development of intangible assets	6	(41)	(334)
Increase in software license	6	(65)	-
Loans given by the Company	18	(400)	-
Acquisition of property, plant and equipment	7	(267)	(146)
Net cash used in investing activities		**(799)**	**(546)**
Cash flows from financing activities			
Interest Paid		-	(2)
Dividends paid to NCI	17	(3,524)	(980)
Repayment of borrowings	12	(98)	(92)
Net cash ganerated/(used) in financing activities		**(3,622)**	**(1,074)**

	Note	Year ended 31 December	
		2017	2016
		US$'000	US$'000
Net increase/ (decrease) in cash and cash equivalents		**(4,248)**	**4,304**
Cash and equivalents at beginning of period		7,651	3,391
Effect of changes in exchange rates on Cash		96	(44)
Cash and equivalents at end of period	**11**	**3,499**	**7,651**

The Notes on pages 45 to 80 are an integral part of these consolidated financial statements.

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 financial trading platforms to businesses and the provision of investment services through its trading platform and development of blockchain-based digital assets solutions. The Financial Statements present the consolidated results of the Group for each of the years ended 31 December 2017 and 2016.

1.1. The Group

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

The Financial Statements of the Group consolidates the following companies: B.O. TradeFinancials Limited, a Cyprus Investment Firm ("CIF") in accordance with license no. 216/13 granted by the Cyprus Securities and Exchange Commission ("CySEC") on 27 September 2013; MarketFinancials Limited, a company regulated by the Financial Services Authority in Seychelles under the license SD006 issued on 21 October 2014; Techfinancials (Israel) 2014 Ltd, an Israeli incorporated company; DragonFinancials Limited, a company incorporated on 27 October 2015 in Seychelles owned 51% by Techfinancials Inc; Capital Financials Limited, a company incorporated on 7 October 2016 in Vanuatu; Techfinancials Asia Limited, 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:

Registered office	County of registration or incorporation	Prcentage of ownership	Principal activity
TechFinancials, Inc.	British Virgin Islands		Development and licensing of financial trading platforms and blockchain-based digital assets solutions.
B.O. TradeFinancials Limited	Cyprus	100%	The provision of investment services, being the operation of the Optionfair trading platform (see Note 28).
TechFinancials (Israel) 2014 Ltd.	Israel	100%	The provision of services to the Group.
MarketFinancials Ltd.	Seychelles	100%	Liquidity provider, Providing Binary Option and Forex market maker services and risk management to the Group (see Note 28).
DragonFinancials Ltd.	Seychelles	51%	The provision of marketing services, being the operation of the Option33 trading platform.

Notes to the Financial Statements
(continued)

Registered office	County of registration or incorporation	Prcentage of ownership	Principal activity
Capital Financials Ltd	Vanuatu	100%	Liquidity provider, Providing Binary Option and Forex market maker services and risk management to DragonFinancials Ltd.
Slide Point Limited	Cyprus	100%	Dormant.
TechFinancials Asia Limited	Honk Kong	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

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

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

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

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

Notes to the Financial Statements (continued)

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

2.2. Basis of consolidated reporting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

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

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

(b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
(i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realised within twelve months after the reporting period; or
(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Notes to the Financial Statements (continued)

(c) Property, plant and equipment

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

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

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

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

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

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

(d) Intangible assets

(i) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred. Development expenditure is recognised as an expense except when such expenditure is expected to generate future economic benefits when it is capitalised as an intangible 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) its intention to complete the intangible asset and sell it;
(iii) the product or process is technically and commercially feasible;
(iv) its future economic benefits are probable (amortised over 5 years);
(v) its ability to use or sell the developed asset; and
(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 straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

(iii) Goodwill

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

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

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

(e) 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

Notes to the Financial Statements (continued)

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.

(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.

Notes to the Financial Statements (continued)

(i) Borrowings

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

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

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

(j) Provisions

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

(k) Contingent liabilities

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

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

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

(l) Share Capital

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

(m) Treasury shares

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

(n) Share-based payment

Certain employees of the Group receive remuneration in the form of share-based payments, whereby

employees render services as consideration for equity instruments (equity-settled transactions).
Equity - settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 14.

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 14).

(o) Dividends

Dividend distributions are recognised in the Company's financial statements in the year in which they are approved by the board of Directors of the relevant entity being a part of the Group.

(p) Revenue recognition

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

Notes to the Financial Statements (continued)

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 and development 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 its investment services at the end of each trade outcome and it represent the gains or losses from said activities.

Development of blockchain-based digital assets solutions – The Group recognises revenue in respect of its development services on an ongoing basis of the provision of such services.

(q) Current and deferred Income tax

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

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

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

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

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

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

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

(r) Fiduciary activities

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

(s) Operating leases

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

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

(t) Retirement benefit costs

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

(u) Cash and cash equivalents

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

(v) Restricted bank deposits

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

(w) Going concern

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

The group has prepared forecasts and projections which reflect the expected trading performance of the Group for at least 12 months from the date of the signing of the financial statements. These have been prepared on the best estimates of management using all their current knowledge and expectation of

Notes to the Financial Statements (continued)

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.

(x) Critical accounting judgements and areas of key 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, have suffered any impairment, in accordance with the accounting policy. Where applicable, the recoverable amounts of cash generating units have been determined based on value in use calculations. The value in use calculations require the entity to estimate future cash flows expected to arise from the cash generating unit and apply a suitable discount rate in order to calculate present value.

The recoverable amount of the product platforms has been determined based on value in use calculations. These calculations require the use of estimates (Note 6).

As at 31 December 2017, as outlined in Note 6.2, the directors have concluded that impairment charge of US$1,501 of certain intangible assets is necessary. The remaining carrying value of non-impaired intangible assets and goodwill is US$.0986 million and US$5,040 million respectively.

(y) Technology Risk

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

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

(z) Compliance Risk

As the Group's activities expand into the blockchain-based digital assets solutions, offering new products and penetrating new markets, the regulatory demands will inevitably increase. The increasing complexity of the Group's operations require training and recruitment to be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

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

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

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

4. CHANGES IN ACCOUNT POLICIES AND DISCLOSURES

New and amended standards mandatory for the first time for the financial periods beginning on or after 1 January 2017.

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

Standard	Impact on initial application	Effective date
IFRS 2 (Amendments)	Share-based payments -classification and measurement	*1 January 2018
IFRS 9	Financial Instruments	*1 January 2018
IFRS 15 **	Revenue from Contracts with Customers	*1 January 2018
IFRS 16	Leases	*1 January 2019

Standard	Impact on initial application	Effective date
IAS 28 (Amendments)	Accounting for Investments - Applying the Consolidation Exception	Postponed
IAS 40 (Amendments)	Transfers of Investment Property	*1 January 2018
IFRS 10 (Amendments)	Consolidated Financial Statements: Applying the Consolidation Exception	Postponed
IFRIC Interpretation 22	Foreign currency transactions and advanced consideration	1 January 2018
IFRIC 23	Uncertainty over Income tax treatments	*1 January 2019
Annual Improvements	IFRS Standard 2014 - 2016 Cycle	1 January 2018

*Subject to EU endorsement

** IFRS 15 (Amendments) - "Revenue from Contracts with Customers":

The impact of IFRS 15 has been assessed by management in connection with the recognition of advisory services. Although the assessment is ongoing, the work undertaken to date has not highlighted any potentially material adjustments.

The Group plans to elect the modified retrospective adoption method upon the initial application of the new standard.

Overall, the Group has evaluated 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 2017 US$'000	2016 US$'000
Depreciation	104	100
Amortisation of intangible assets	422	352
Research and development expenditure	2,916	3,334
Impairment of intangible assets	1,501	-
Auditor remuneration – audit of the Group accounts	79	163
Share option charge	78	153
Operating lease payment	494	507

6. INTANGIBLE ASSETS

As at 31 December 2016 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	License US$'000	Goodwill** US$'000	Total US$'000
At 1 January 2016	784	858	932	359	211	8	-	-	**3,152**
Additions	-	-	82	87	162	3	-	5,040	**5,347**
At 31 December 2016	**784**	**858**	**1,014**	**446**	**373**	**11**	**-**	**5,040**	**8,526**
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**	**-**	**5,040**	**7,843**
As at 31 December 2017 Cost									
At 1 January 2017	784	858	1,014	446	373	11	-	5,040	**8,526**
Additions	-	-	41	-	-	-	65	-	**106**
At 31 December 2017	**784**	**858**	**1,055**	**446**	**373**	**11**	**65**	**5,040**	**8,632**

Notes to the Financial Statements (continued)

6. INTANGIBLE ASSETS (continued)

As at 31 December 2016 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	License US$'000	Goodwill** US$'000	Total US$'000
Accumulated amortisation									
At 1 January 2017	314	342	-	-	21	6	-	-	**683**
Charge for the year	156	170	-	-	91	5	-	-	**422**
Impairment	-	-	1,055	446	-	-	-	-	**1,501**
At 31 December 2017	**470**	**512**	**1,055**	**446**	**112**	**11**	**-**	**-**	**2,606**
Net book value At 31 December 2017	**314**	**346**	**-**	**-**	**261**	**-***	**65**	**5,040**	**6,026**

* lower than a thousand USD
** Goodwill arose on the acquisition of DragonFinancials, as detailed in Note 6.2 and Note 17.

6.1. Development expenditure and computer software

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

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

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

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

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

Major assumptions are as follows:

2017	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%	N/A	N/A	15%	N/A

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

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

6.2. Intangible assets – Goodwill

Impairment of goodwill was assessed by comparing the unlevered free cash flow to the value of goodwill for the entity whose acquisition gave rise to the goodwill, DragonFinancials Ltd. (see Note 17).

The key assumptions applied in the unlevered free cash flow forecast include a discount rate and expected changes in cash generated during a cash flow projection for the five years following the financial reporting period.

The discount rate utilised is 40%.

The Changes in the cash generated are based on the projected cash flow for five years using a CAGR of -0.6%, indicating no material change in the cash generated.

Sensitivity testing has been performed on the unlevered free cash flow model to understand the effect of changes in the key assumptions. The Model showed sufficient headroom over the value of goodwill, further indicating no impairment loss is required at 31 December 2017.

Notes to the Financial Statements (continued)

7. PROPERTY AND EQUIPMENT

As at 31 December 2016 Cost	Leashold Improvement US$'000	Computers US$'000	Furniture US$'000	Total US$'000
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**	**358**
Net book value At 31 December 2016	**302**	**96**	**112**	**510**
As at 31 December 2017 Cost				
At 1 January 2017	353	337	178	**868**
Additions	234	33	-	**267**
Disposal	-	(2)	-	**(2)**
At 31 December 2017	**587**	**368**	**178**	**1,133**
Accumulated depreciation				
At 1 January 2017	51	241	66	**358**
Charge for the year	42	50	12	**104**
At 31 December 2017	**93**	**291**	**78**	**462**
Net book value At 31 December 2017	**494**	**77**	**100**	**671**

8. OTHER LONG TERM ASSET

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Long term deposits	90	42
	90	**42**

9. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Trade receivables	2,110	1,628
Short term loan*	400	-
Prepayments	387	71
Amounts due from Shareholders	-	2
Other receivables	480	420
	3,377	**2,121**

* see Note 18

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

10. 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.

11. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Cash at bank	3,499	7,651
	3,499	**7,651**

12. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2017	2016
	US$'000	US$'000
Trade payables	690	530
Other payables	-	11
Short term loan from shareholders	92	190
Deposit held	255	800
Employees salaries related balance	360	735
Shares to be issued (Note 17)	-	1,540
Accrued liabilities	162	740
	1,559	**4,546**

Notes to the Financial Statements (continued)

13. SHARE CAPITAL

	As at 31 December	
	2017	2016
Authorised	Number of Shares	Number of Shares
The Company Ordinary share of US$0.0005	100,000,000	100,000,000
Authorised	**100,000,000**	**100,000,000**

	As at 31 December	
	2017	2016
Issued and fully paid	US$'000	US$'000
The Company Ordinary share of US$0.0005	**55**	**55**

Ordinary shares issued and fully paid	US$'000
At 1 January 2017	55
Share based compensation exercise of options	-*
At 31 December 2017	**55**

*lower than a thousand USD

Share Capital - Amount subscribed for share at nominal value.

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

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

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

The expense and equity reserve arising from share based payment transactions recognised in the year ended 31 December 2016 and 2017 were US$153 thousand and US$78 thousand respectively.

In addition, the effect of lapsed options on the equity reserve and accumulated profits / losses in the year ended 31 December 2016 and 2017 were US$105 thousand and US$81 thousand, resulting in a net effect on equity reserve of US$48 thousand in the year ended 31 December 2016 and US$ (3) thousand in the year ended 31 December 2017.

14. SHARE-BASED PAYMENT TRANSACTIONS (GROUP)

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

Employee Stock Option Plan:

	Year ended 31 December 2016	
	Number of Options	Weighted Average Exercise Price (US$)
Balance at beginning of period	**1,896,280**	**0.0440**
Granted	569,800	0.189
Exercised during the period	(34,516)	-
Lapsed during the period	(407 ,020)	0.211
Balance at end of period	**2,059,060**	**0.151**

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

Share Option Plan on behalf of certain employees, employees and board members of the Group during 2017:

Date of Grant:	August 1 2017 (2014 Plan)
Number Granted:	1,120,000 options to purchase ordinary shares of US$0.0005 each.
Contractual life:	10 years
Vesting conditions:	396,667 options on the first year of grant, 280,000 options in each of the following two years and 163,333 on the fourth year.
Earliest Exercise date:	August 1 2017
Exercise price:	US$0.0915

The model inputs for 2017 grant were:

- share prices at grant date US$0.189
- weighted average exercise prices of US$ 0.083;
- expected volatility of 55%;
- contractual life of 10 years; and
- a risk-free interest rate of 3.85%.

Notes to the Financial Statements (continued)

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

On August 1 2017 the Company granted to 13 employees and 4 board members 840,000 and 280,000 options respectively, to purchase ordinary shares of the Company under a 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 $0.0915 per share.

On December 15 2017, two former employees of the Company exercised 27,210 options pursuant to the 2014 employee share option plan, to acquire 7,228 ordinary shares of US$0.0005 ("Ordinary Shares") in the Company in consideration for the cancellation of the balance of 19,982 options.

15. INCOME TAX EXPENSES

	Years ended 31 December	
	2017	**2016**
	US$'000	**US$'000**
Current income tax*	79	133
Deferred tax	32	3
	111	**136**

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	
	2017	**2016**
	US$'000	**US$'000**
Profit (Loss) before taxation and exceptional loss on group reorganisation.	116	4,051
Profit multiplied by standard rate of EIT of 0%	-	-
Effect of Different tax rates in different countries:		
Israeli tax rates 2016-2017: 25% -24%	79	136
Cyprus tax rates 2016-2017: 12.5%	-	-
Deferred tax rate	32	3
	111	**136**

16. EARNINGS PER SHARE

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

	Years ended 31 December	
	2017	**2016**
	US$'000	**US$'000**
(Loss) /profit attributable to equity holders	(2,599)	1,179
Weighted average number of shares basic	72,542,484	68,634,680*
Earnings/(loss) per share basic (dollars)	(0.036)	0.0172
Weighted average number of shares diluted	73,242,484	69,334,680
Earnings/(loss) per share diluted (dollars)	(0.036)	0.0170

*In 2016 including treasury shares held in escrow (see Note 12).

The number of potentially dilutive share options are as disclosed in Note 14.

17. 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.
Under the terms of the agreement on 10 May 2018, an additional amount of 12,406,352 TechFinancials shares worth of US$4.53 million, were transferred to the owners of Optionfortune (see Note 28).

During the years 2016 and 2017 DragonFinancials, the Company's 51% subsidiary, paid of a dividend of US$2.0 million and US$7.2 million respectively. The Company received in 2016 and 2017 US$1.02 million and US$3.672 million respectively representing its shareholdings in DragonFinancials.

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

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)

17. BUSINESS ACQUISITION (continued)

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

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

* The difference of US$1.028 million (2017 - US$0.47 million; 2016 - US$0.56 million) between the consideration and the Goodwill represents the PV as of 1 January 2016 discounted at 6% per annum over a period of two years.

18. OPTION TO ACQUIRE NEW BUSINESS

On 22 October 2017 the Company and Saar Levi entered into a legally binding Heads of Terms in respect of a to be incorporated group of companies which will operate under the name CEDEX ("CEDEX").

CEDEX will operate what the Company believes will be the first blockchain technology based online exchange for diamonds with a long-term vision to turn the traditional diamond industry into a financial tradable asset.

Under the Heads of Terms, TechFinancials will make unsecured loan funding of US$0.4 million available to the CEDEX group to develop its technology. The loan bears no interest. On 5 June 2018 CEDEX made a partial repayment of the loan on the amount of US$0.33 million.

In consideration for providing this initial funding, CEDEX will grant the Company an option to acquire 90% of CEDEX at an exercise price of US$62 thousands, which may be offset against any amount outstanding under the loan. Exercise of the option is at the sole discretion of TechFinancials and the option can be transferred, sold or disposed of as TechFinancials sees fit. The option period is for three years from the date of grant and may be exercised until October 22, 2020.

As of 31 December 2017 the fair value of the option is US$8.9 million based on Black-Scholes model. However, the option value has no impact on the financial statements in the current period due to deferral of the initial recognition in accordance with IAS 39. As the purchase price of the option was not significant and the fair value of the option could not be based on a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, therefore, after initial recognition, the deferred value will be recognized as a gain or loss, only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability, which is the ICO completion in April 2018.

As such, the gain arising from the option, in the amount of US$8.9 million would be fully recognised in the financial year 2018, along with any subsequent gains arising from subsequent assessment of the valuation of the option.

In addition, it was agreed that the Company may provide technical development services on a fee-for-service basis to CEDEX to assist with the development of the trading platform, utilising the Company's knowledge and expertise.

On 25 December 2017 the Company committed to make an equity investment of US$0.2 million at a post-money valuation of US$10 million, giving a potential maximum holding of 92% or 87.4% on a fully diluted basis. (see Note 25 and Note 28).

Receivables balances with CEDEX are detailed in Note 20.

19. 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	
	2017	**2016**
	US$'000	**US$'000**
Within one year	404*	497
After one year but before five years	1,293	1,492
After five years	-	249
	1,697	**2,238**

* This amount included a commitment of US$35 thousand in respect of payments towards the offices vacated in order to upsize.

Operating lease payments represent rent payable.

In April 2015, TechFinancials Israel entered into a lease agreement to rent 1,410 square meters of office space at the Industrial Area of Herzliya to be used by the company's Israeli subsidiary. The original lease period was until 30 June 2017, with annual rental fees of US$0.49 million. Thereafter the lease was renewed for an additional 3 years, until June 30 2020. TechFinancials Israel has as option to renew the lease for an additional two years, until June 30 2022, bearing a price raise of 2.5 %.

Notes to the Financial Statements (continued)

20. 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:

20.1 Receivables balances with CEDEX

As of 31 December 2017 the amount of US$0.77 million owed by CEDEX to the Company consist the following:

Loan - US$0.4 million; Accounts payables US$0.24 million; Other payables - US$127 thousand.

20.2 Payables to key management personnel

The compensation for Shareholders' employed by the Group is analysed as follows, and is further broken down in Note 22:

As at 31 December	2017	2016
	US$'000	US$'000
Salaries and other short-term employee benefits	715	852
Salaries and other long-term employee benefits	157	180
	872	**1,032**

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

As at 31 December	2017	2016
	US$'000	US$'000
Non - Current Loans Credit	-	-
Current Loans Credit	(92)	(190)
Non - Current Accounts Debit	-	2

The loans bear no interest and were, subject to certain conditions, repayable in three equal instalments, out of which two were paid during July 2016 and February 2017, as stated in Note 12.

21. ULTIMATE CONTROLLING PARTY

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

22. KEY MANAGEMENT AND DIRECTORS REMUNERATION (GROUP)

Details of the nature and amount of each element of the emoluments of each member of Key Management for the years ended 31 December 2016 and 31 December 2017 were as follows:

Personnel Name	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Eyal Rosenblum*		
Wages and salaries	181	203
Post-employment benefits	21	17
Other long term benefits	20	28
	222	**248**
Yuval Tovias*		
Wages and salaries	158	166
Post-employment benefits	19	16
Shared based compensation	22	20
Other long term benefits	18	27
	217	**229**
Eyal Alon		
Wages and salaries	**50**	**76**

Details of the nature and amount of each element of the emoluments of the directors for the years ended 31 December 2016 and 31 December 2017 were as follows:

Personnel Name	31 December 2017 % of shareholdings	Year ended 31 December 2017 US$'000	Year ended 31 December 2016 US$'000
Asaf Lahav*+	12.62%		
Wages and salaries		192	224
Post-employment benefits		23	18
Other long term benefits		52	30
		267	**272**
Jeremy Lange* #	9.99%		
Wages and salaries		110	163
Post-employment benefits		-	16
Other long term benefits		3	27
		113	**206**
Christopher Bell***	0.25%		
Wages and salaries		**68**	**91**

Notes to the Financial Statements (continued)

22. KEY MANAGEMENT AND DIRECTORS REMUNERATION (GROUP) (continued)

Personnel Name	31 December 2017	Year ended 31 December 2017	2016
Eitan Yanuv***	% of shareholdings	US$'000	US$'000
Director's fee		36	42
Hillik Nissani******	0.04%		
Director's fee		36	42
Total remuneration of the key management and directors of the Group		**1,009**	**1,206**

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

23. FINANCIAL RISK MANAGEMENT

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

23.1 Credit risk

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

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

As at 31 December 2017, and 2016, substantially all the cash and bank balances as detailed in Note 11 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	
	2017	2016
	US$'000	US$'000
A1	194	613
AA-	2,026	5,388
B1	67	-
Other	1,205	1,634
Caa3	7	16
	3,499	**7,651**

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

	As at 31 December	
	2017	2016
	US$'000	US$'000
Cash and cash equivalents	3,499	7,651
Restricted bank deposits	305	279
Trade receivables and others	3,039	2,119
Amounts due from a shareholder	-	2
	6,843	**10,051**

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	
	2017	2016
	US$'000	US$'000
Current	2,092	1,358
31 – 60 days	10	270
61 – 90 days	5	-
91 to 120 days	3	-
	2,110	**1,628**

Bad debt provision	US$'000
At 1 January 2017	830
Bad debt recognised / (crossed) during 2017	(818)
At 31 December 2017	**12**

Notes to the Financial Statements (continued)

23.2 Currency risk

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

The following sensitivity analysis shows the effects on net profit of a 5% and 10% increase/decrease in exchange rates versus closing exchange rates at 31 December 2017 and 31 December 2016.

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

2016	+5% US$'000	-5% US$'000	+10% US$'000	-10% US$'000
Euro	90	(90)	180	(180)
GBP	9	(9)	18	(18)
Chinese Yuan	124	(124)	248	(248)
Israeli New Shekel	(17)	17	(34)	34

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

	Liabilities		Assets	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Euro	2	9	501	1,770
GBP	14	106	37	77
Chinese Yuan	384	370	1,879	2,865
Israeli New Shekel	459	1,207	550	872

23.3 Liquidity risk

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

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

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

23.4 Market Risk

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

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

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

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

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

	As at 31 December	
	2017	**2016**
	US$'000	**US$'000**
Current 31 – 60 days	1,050	1,642
61 – 90 days	-	2,764
91 to 120 days	509	140
	1,559	**4,546**

Notes to the Financial Statements (continued)

24. SEGMENT INFORMATION

Business segment

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

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

The segment information provided to management for the reportable segments for the year ended 31 December 2016 and 31 December 2017 is as follows:

Year ended 31 December 2016 Revenue and result:	B2C Trading platform US$'000	B2B Licence income US$'000	License Services Between *segments US$'000	Acquisition related ***cost US$'000	Total US$'000
Revenues	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	-	-	**4,077**
Finance expenses	169	259	-	558	**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

Year ended 31 December 2016 Assets and liabilities:	B2C Trading platform US$'000	B2B Licence income US$'000	License Services Between *segments US$'000	Acquisition related ***cost US$'000	Total US$'000
Assets	10,144	8,302	-	-	**18,446**
Liabilities	296	2,611	-	5,697	**8,604**
Depreciation and additions					
Depreciation	31	69	-	-	**100**
Additions to property, plant and equipment	-	146	-	-	**146**

* License services represents intercompany charges between segments, allowing the performance assessment of each segment on standalone basis.
**Earnings before interest, tax, depreciation and amortisation and non-cash charges
*** see Note 17

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

Year ended 31 December 2017 Revenue and result:	B2C Trading platform US$'000	B2B Licence income US$'000	License Services Between segments * US$'000	Blockchain related technology **** US$'000	Acquisition related cost *** US$'000	Total US$'000
Revenues	8,864	5,142	(886)	242	-	**13,362**
Cost of sales	(2,601)	(1,239)	886	(216)	-	**(3,170)**
Gross profit	**6,263**	**3,903**	**-**	**26**	**-**	10,192
Other (income) expenses	-	-	-	-	-	**-**
Research and development	(192)	(2,724)	-	-	-	**(2,916)**
Selling and marketing expenses	(1,038)	(880)	-	-	-	**(1,918)**
Administrative expenses	(650)	(2,389)	-	-	-	**(3,039)**
Finance income (expenses)	(243)	11	-	-	(470)	**(702)**
Profit (loss) before tax from recurring activities	**4,140**	**(2,079)**	**-**	**26**	**(470)**	**1,617**
Impairment of intangible assets	-	(1,501)	-	-	-	**(1,501)**
Profit (loss) before tax	**4,140**	**(3,580)**	**-**	**26**	**(470)**	**116**
EBITDA**	**4,383**	**(1,480)**	**-**	**26**	**-**	**2,929**
EBITDA attributed to shareholders	**1,781**	**(1,480)**	**-**	**26**	**-**	**327**

Notes to the Financial Statements (continued)

24. SEGMENT INFORMATION (continued)

Year ended 31 December 2017	B2C Trading platform	B2B Licence income	License Services Between segments *	Blockchain related technology ****	Acquisition related cost ***	Total
Assets and liabilities:	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets	2,419	10,785	-	764	-	**13,968**
Liabilities	775	5,332	-	58	-	**6,165**
Depreciation and additions:						
Depreciation	11	93	-	-	-	**104**
Additions to property, plant and equipment	117	150	-	-	-	**267**

* License services represents intercompany charges between segments, allowing the performance assessment of each segment on standalone basis.
** Earnings before interest, tax, depreciation and amortisation and non-cash charges
*** see Note 17
**** see Note 18

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

25. COMMITMENTS

On 25 December 2017 the Company entered into a legally binding Share Purchase Agreement (the "SPA") with CEDEX Holdings Limited ("CEDEX"), a company incorporated under the laws of Gibraltar. Under the SPA, upon the opening of a bank account by CEDEX, TechFinancials will make an equity investment of US$0.2 million at a post-money valuation of US$10 million.

This transaction was executed on 24 April 2018.

26. CONTINGENCIES

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

27. GUARANTEES AND LIENS

Guarantees totalling US$0.21 million have been given by TechFinancials Israel's bank to the landlord in relation to their offices.

This subsidiary has also pledged all its rights to receive funds from a bank, in respect of its deposits in the bank, including the yield from these deposits, in a total amount of US$0.3 million to secure the guarantees described above and to secure a credit facility for credit cards, payments and a Forex credit line, in the amount of US$94 thousand.

28. SUBSEQUENT EVENTS

On 26 February 2018, B.O. TradeFinancials ("BOT"), the Company's subsidiary notified the Cyprus Securities and Exchange Commission ("CySEC") of its intention to withdraw its Cyprus Investment Firm ("CIF") authorization.

In line with the above notification, BOT notified its customers of the termination of its activities related to operating its brand, OptionFair. Subsequently all client funds were returned.
As a result of the notification of the return of the license, MarketFinancials ("MF") the Company's subsidiary, has terminated its market maker services with BOT, which was its only source of income.

In April 2018, CEDEX successfully completed the process of selling a total of 30.2 million digital coins (" CEDEX Coins") by way of a Token Sale. In this connection, CEDEX sold a material proportion of the CEDEX coins available for sale in return for a substantial amount of Cryptocurrency (Bitcoin and Etherium) and Fiat. The introducer of certain purchasers received options to acquire up to 5% of CEDEX.

In April 2018 CEDEX issued TechFinancials 2% of its share capital, with an option to TechFinancials to acquire a further 90%, which would give TechFinancials holding of up to 92% of CEDEX or 87.4% on a fully diluted basis.

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

As a result of the shares issuing above, the share capital of the Company is comprised of 84,980,979 ordinary shares and the directors' shareholdings in the ordinary share capital were changed as follows:

Director's Name	Shareholdings %
Asaf Lahav	10.77%
Christopher Bell	0.21%

For further information:

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