

Registered number: 07361080

RECEIPT BANK LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



RECEIPT BANK LIMITED

COMPANY INFORMATION

Directors	Adrian Peter Blair (appointed 25 February 2019) Jason Andrews Ewell (appointed 19 February 2019) Murray Hennessy Alexis Daniel Sandown Prenn Philip Antony Robert Tissot Michael Charles Wood Hillel Louis Zidel Christine Mullin (appointed 17 September 2019)
Company secretary	Oakwood Corporate Secretary Limited
Registered number	07361080
Registered office	99 Clifton Street London United Kingdom EC2A 4LG
Independent auditors	Nexia Smith & Williamson Chartered Accountant & Statutory Auditor 25 Moorgate London EC2R 6AY
Bankers	Canadian Imperial Bank of Commerce 150 Cheapside London England EC2V 6ET
Solicitors	Cooley (UK) LLP 69 Old Broad Street London EC2M 1QS

RECEIPT BANK LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditors' Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Company Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12 - 13
Company Statement of Changes in Equity	14 - 15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 - 39

RECEIPT BANK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

Receipt Bank Group provides a platform containing a suite of automation tools to help its target customers to improve their bookkeeping and accounting processes. Target customers fall into two main categories:

- Bookkeeping and accounting firms – helping them to gather, process and store accounting information and monitoring related workflows for their client base; and
- Standalone businesses – allowing them to collect electronically receipts and invoices, to extract, process and store this accounting information and integrate it with their other financial systems.

The group is headquartered in the UK and operates globally, with offices in Australia, US, France, South Africa, Bulgaria and Canada.

Business review

The business has continued to grow with Total Revenue up 60% on 2017 at £18.6m. This has been achieved by developing its established markets while opening an office in South Africa and expanding further into the French and Canadian markets.

Growth has been driven by strong sales and marketing activity including building and maintaining a significant presence at key national and regional trade shows, hosting smaller trade events and further developing online profiles. Product developments have continued through the year, with the addition of significant new functionality and improvements in processing efficiency.

As a result of investment in these activities, operating losses have increased by 130% on 2017 from £(7.6)m to £(17.5)m. This was broadly in line with management plans for the year.

Principal risks and uncertainties

Receipt Bank's approach to risk management involves identifying and reviewing material risks during quarterly business planning reviews and annual budget cycles, consolidating into a group level strategic plan for consideration and approval at Board level.

This section highlights some of the key risks and uncertainties which affect Receipt Bank and how they are mitigated. The group is of course exposed to risks wider than those listed, but these are believed to be likely to have the greatest impact on our business at this moment in time.

Strategic Risks

RB product/services differentiation relative to competition not maintained; failure to align with customer needs. Product/service roadmaps are developed, tested and reviewed frequently for relevance; competitor marketplace is continually monitored and investigated; conclusions are key drivers in the group's planning activities.

Economic Risks

Downturn in key geographical markets

Macroeconomic performance is monitored at a local office level by close contact with customers, prospects and professional bodies. The ability of Receipt Bank's products/services to support customer performance in all economic conditions (saving time and overhead) is core to our customer proposition. Geographical performance and expectations are a key driver in the group planning process.

RECEIPT BANK LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Operational Risks

Significant cyber security breach or outage

Cyber awareness/security is a core internal value across the group. Internally we have dedicated teams responsible for cyber security, all reporting to the Chief Technology Officer. Only the highest quality IT infrastructure partners are chosen to support Receipt Bank's platforms and third-party service failure is built into our process design.

Recruitment and retention of key employees

Receipt Bank has a strong internal talent acquisition and management team that is supplemented by trusted partners as required. Remuneration packages include longer term incentives aligning personal success to that of the business. Building and maintaining a positive, creative work environment is a core group value.

Regulatory Risks

Significant breach of data protection legislation

Internal processes are designed to exceed data legislation requirements across all jurisdictions. Group-wide training protocols are in place with a dedicated Data Protection Officer and clear reporting and escalation procedures established.

Financial Risks

Inability to fund the expansion of the group

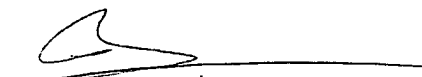
Cash flow is closely monitored across the group and is managed centrally using short, medium and long-term forecasting. Management works closely with the Board to maintain funding availability ahead of business requirements.

Further details of the group's financial instruments and its policies with regard to financial risk management are given in note 18 to the financial statements.

Financial key performance indicators

	2018	2017	Change	Change
	£	£	£	%
Turnover	18,619,036	11,666,957	6,952,079	60
Operating loss	(17,494,101)	(7,606,541)	(9,887,560)	(130)
Gross margin	16,201,787	9,905,155	6,296,632	64

This report was approved by the board and signed on its behalf.



Adrian Peter Blair
Director

Date: 27 September 2019

RECEIPT BANK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £17,396,143 (2017 - £7,229,994).

There were no dividends during the year (2017: £Nil)

Directors

The Directors who served during the year were:

Murray Hennessy
Alexis Daniel Sandown Prens
Philip Antony Robert Tissot
Michael Charles Wood
Hillel Louis Zidel
Henry Cowburn Savage Carleton (resigned 23 January 2018)
Alexander James Gayer (resigned 1 November 2018)
Paul Szurek (appointed 13 June 2018, resigned 19 February 2019)
Bradley George Twohig (resigned 13 June 2018)

Future developments

The Directors foresee no material change in the nature of the Group's activities. The Group will continue to invest in product R&D and drive further growth across all markets through sales and marketing activities.

Research and development activities

The Group carries out research and development activities in connection with the continued development of the core suite of automation tools to help its target customers to improve their bookkeeping and accounting processes. All costs relating to these activities are charged to profit and loss within the Statement of Comprehensive Income as incurred. The charge to the Statement of Comprehensive Income was £4.87m (2017: £3.37m) in the year to 31 December 2018.

Disclosure 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 the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Post balance sheet events

The details of all post balance sheet events are included in note 25 to these financial statements.

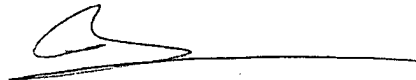
RECEIPT BANK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditors

The auditors, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.



Adrian Peter Blair
Director

Date: 27 September 2019

RECEIPT BANK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECEIPT BANK LIMITED

Opinion

We have audited the financial statements of Receipt Bank Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated statement of comprehensive income, Consolidated and parent company statement of financial position, Consolidated and parent company statement of changes in equity, Consolidated statement of cash flows and the 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 United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 and Parent Company 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, 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 upon the Group's and the Parent Company'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECEIPT BANK LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on 5, the Directors are responsible for the preparation of the 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 financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECEIPT BANK LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

The financial statements of Receipt Bank Limited for the year ended 31 December 2017 were unaudited.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Timothy Adams (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountant

Statutory Auditor

25 Moorgate

London

EC2R 6AY

30 September 2019

RECEIPT BANK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	18,619,036	11,666,957
Cost of sales		(2,417,249)	(1,761,802)
Gross profit		16,201,787	9,905,155
Administrative expenses		(33,695,888)	(17,511,696)
Operating loss	5	(17,494,101)	(7,606,541)
Interest receivable	9	1,380	1,056
Interest payable and similar expenses	10	(125,930)	(137,063)
Loss before taxation		(17,618,651)	(7,742,548)
Tax on loss	11	472,824	534,299
Loss for the financial year		(17,145,827)	(7,208,249)
Currency translation differences		(250,316)	(21,745)
Total comprehensive income for the year		(17,396,143)	(7,229,994)

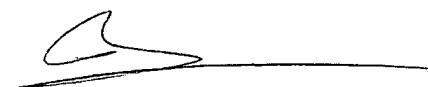
The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED
REGISTERED NUMBER:07361080

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	728,011	236,959
		<u>728,011</u>	<u>236,959</u>
Current assets			
Debtors: amounts falling due within one year	14	4,920,704	3,094,621
Cash at bank and in hand	15	4,247,897	10,066,359
		<u>9,168,601</u>	<u>13,160,980</u>
Creditors: amounts falling due within one year	16	(6,295,601)	(3,175,373)
Net current assets		<u>2,873,000</u>	<u>9,985,607</u>
Total assets less current liabilities		<u>3,601,011</u>	<u>10,222,566</u>
Creditors: amounts falling due after more than one year	17	-	(212,121)
Net assets		<u><u>3,601,011</u></u>	<u><u>10,010,445</u></u>
Capital and reserves			
Called up share capital	19	2,162	1,970
Share premium account	21	36,970,449	27,015,834
Foreign exchange reserve	21	(189,833)	60,483
Share-based payment reserve	21	1,985,008	953,106
Profit and loss account	21	(35,166,775)	(18,020,948)
		<u><u>3,601,011</u></u>	<u><u>10,010,445</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



Adrian Peter Blair
Director

Date: 27 September 2019

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED
REGISTERED NUMBER:07361080

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	379,076	68,533
Investments	13	5,530	4,530
		384,606	73,063
Current assets			
Debtors: amounts falling due within one year	14	3,177,439	6,772,153
Cash at bank and in hand	15	1,796,434	7,772,000
		4,973,873	14,544,153
Creditors: amounts falling due within one year	16	(4,143,897)	(2,044,688)
Net current assets		829,976	12,499,465
Total assets less current liabilities		1,214,582	12,572,528
Creditors: amounts falling due after more than one year	17	-	(212,121)
Net assets		1,214,582	12,360,407
Capital and reserves			
Called up share capital	19	2,162	1,970
Share premium account	21	36,970,449	27,015,834
Share-based payment reserve	21	1,985,008	953,106
Profit and loss account	21	(37,743,037)	(15,610,503)
		1,214,582	12,360,407

The Parent Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £22,132,534 (2017 - loss £5,857,076).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:


Adrian Peter Blair
 Director

Date: 27 September 2019

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Foreign exchange reserve	Share-based payment reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	1,970	27,015,834	60,483	953,106	(18,020,948)	10,010,445	10,010,445
Comprehensive income for the year							
Loss for the year	-	-	-	-	(17,145,827)	(17,145,827)	(17,145,827)
Currency translation differences	-	-	(250,316)	-	-	(250,316)	(250,316)
Total comprehensive income for the year	-	-	(250,316)	-	(17,145,827)	(17,396,143)	(17,396,143)
Shares issued during the year	192	9,954,615	-	-	-	9,954,807	9,954,807
Share-based payment charge	-	-	-	1,031,902	-	1,031,902	1,031,902
Total transactions with owners	192	9,954,615	-	1,031,902	-	10,986,709	10,986,709
At 31 December 2018	2,162	36,970,449	(189,833)	1,985,008	(35,166,775)	3,601,011	3,601,011

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Foreign exchange reserve	Share-based payment reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£	£
At 1 January 2017	1,723	12,361,840	82,228	310,630	(10,812,699)	1,943,722	1,943,722
Comprehensive income for the year							
Loss for the year	-	-	-	-	(7,208,249)	(7,208,249)	(7,208,249)
Currency translation differences	-	-	(21,745)	-	-	(21,745)	(21,745)
Total comprehensive income for the year	-	-	(21,745)	-	(7,208,249)	(7,229,994)	(7,229,994)
Shares issued during the year	247	14,653,994	-	-	-	14,654,241	14,654,241
Share-based payment charge	-	-	-	642,476	-	642,476	642,476
Total transactions with owners	247	14,653,994	-	642,476	-	15,296,717	15,296,717
At 31 December 2017	1,970	27,015,834	60,483	953,106	(18,020,948)	10,010,445	10,010,445

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Share-based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	1,970	27,015,834	953,106	(15,610,503)	12,360,407
Comprehensive income for the year					
Loss for the year	-	-	-	(22,132,534)	(22,132,534)
Total comprehensive income for the year	-	-	-	(22,132,534)	(22,132,534)
Shares issued during the year	192	9,954,615	-	-	9,954,807
Share-based payment charge	-	-	1,031,902	-	1,031,902
Total transactions with owners	192	9,954,615	1,031,902	-	10,986,709
At 31 December 2018	2,162	36,970,449	1,985,008	(37,743,037)	1,214,582

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Share-based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	1,723	12,361,840	310,630	(9,753,427)	2,920,766
Comprehensive income for the year					
Loss for the year	-	-	-	(5,857,076)	(5,857,076)
Total comprehensive income for the year	-	-	-	(5,857,076)	(5,857,076)
Shares issued during the year	247	14,653,994	-	-	14,654,241
Share-based payment charge	-	-	642,476	-	642,476
Total transactions with owners	247	14,653,994	642,476	-	15,296,717
At 31 December 2017	1,970	27,015,834	953,106	(15,610,503)	12,360,407

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(17,618,651)	(7,208,249)
Adjustments for:		
Depreciation of tangible assets	244,456	143,047
Loss on disposal of tangible assets	41,634	-
Interest paid	125,930	137,063
Interest received	(1,380)	(1,056)
Taxation charge	472,824	(4,913)
Increase in debtors	(1,826,083)	(1,723,949)
Increase in creditors	3,313,697	1,374,942
Share based payment charge	1,031,902	642,476
Net cash generated from operating activities	(14,215,671)	(6,640,639)
Cash flows from investing activities		
Purchase of tangible fixed assets	(777,142)	(229,000)
Interest received	1,380	1,056
Net cash from investing activities	(775,762)	(227,944)
Cash flows from financing activities		
Issue of ordinary shares	9,954,807	14,654,241
Repayment of loans	(393,939)	(106,061)
Interest paid	(125,930)	(137,063)
Net cash used in financing activities	9,434,938	14,411,117
Net (decrease)/increase in cash and cash equivalents	(5,556,495)	7,542,534
Cash and cash equivalents at beginning of year	10,066,359	2,545,570
Foreign exchange gains and losses	(261,967)	(21,745)
Cash and cash equivalents at the end of year	4,247,897	10,066,359
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,247,897	10,066,359
	4,247,897	10,066,359

The notes on pages 17 to 39 form part of these financial statements.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Receipt Bank Limited is a private company, limited by shares, domiciled and incorporated in England and Wales. The registered office address and registered number can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Parent Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income, Statement of Cash Flows, Key Management Personnel, or Share Based Payments in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The Group financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries) prepared to 31 December each year. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2.3 Going concern

In order to maintain its current levels of growth, the Group has historically been dependent on the receipt of funds from investors. In December 2018, the Group secured a new finance facility of £13,000,000, which was extended by a further £7,000,000 on 24 September 2019. This finance facility provides working capital to fund its continued operations. The Directors have produced forecasts taking this into account which show that the company should be in a good position to continue in operational existence for the foreseeable future being a period of no less than 12 months from the signing of the financial statements, and as a result, are of the view that a going concern basis should be adopted in preparing the financial statements.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Revenue

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. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services (licence revenue)

Revenue from a contract to provide services under licence agreements is recognised in the period in which the services are provided in accordance with the contracted licence term when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the licence term (as stipulated by the contract) at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Where payments are received from customers in advance of the services being provided, these payments are accounted for as deferred income and included within creditors due within one year.

2.5 Research and development

Research and development expenditure is written off as incurred.

2.6 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure 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 by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	25% per annum
Computer equipment	-	50% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the Consolidated Statement of Financial Position.

2.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the Consolidated Statement of Financial Position date all leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

2.14 Share based payments

The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in profit or loss.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non-market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in profit or loss, with a corresponding adjustment to equity. Fair value is measured by the use of a Black-Scholes model.

The expected useful life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise constrictions, and behavioural constraints.

When share options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Where share options are granted to employees of subsidiaries, the total expense is recognised by the parent company, in accordance with the above policy.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'interest receivable and similar income' or 'interest payable and similar charges'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.17 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Judgements

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all the applicable conditions for classification as basic are met. This includes consideration of the form of the instrument and its return.

Recoverability of intercompany receivables

The recoverability of intercompany balances requires judgement as to whether the future profitability of subsidiary entities will generate sufficient capital to repay intercompany debts. Due to the continued strategic expansion of the group, the Directors have concluded that there are potential limitations on the ability of the subsidiaries to repay intercompany balances in the immediate future. At 31 December 2018, the intercompany receivable balance of £5,382,649 (2017: £4,755,320) has been provided for in full on the basis that the Group continues to be loss making and subsidiaries may not be able to repay intercompany balances in the immediate future. There is no impact on the Group's Statement of Comprehensive Income or Statement of Financial Position.

Key sources of estimation uncertainty

Bad debt provisions

The trade debtors balance of £2,060,915 (2017: £1,279,585) recorded in the Group's Statement of Financial Position comprise a number of small balances. A full line by line review of trade debtors is carried out at the end of each month and the provision for bad debt is recognised as required. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Share based payments

Estimates have been made to value the equity settled share based payments recognised through the issuance of share options during the period. The key assumptions used centre on the share price volatility associated with the company's share price and the timing of a qualifying 'exit event' of the Company as options then become exercisable.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Software subscription revenue	18,619,036	11,666,957
	<u>18,619,036</u>	<u>11,666,957</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	7,710,465	4,725,233
Rest of Europe	534,093	380,139
Rest of the world	10,374,478	6,561,585
	<u>18,619,036</u>	<u>11,666,957</u>

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	4,872,489	3,370,161
Exchange differences	(11,651)	(21,745)
Depreciation on tangible fixed assets	244,456	143,047
Operating lease costs	1,363,780	1,016,742
Impairment of debtors	166,608	15,287
	<u>166,608</u>	<u>15,287</u>

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	42,575	29,885
Fees payable to the Group's auditor and its associates in respect of:		
All other services	6,925	9,025
	6,925	9,025

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	14,533,861	6,541,022	7,179,981	3,330,559
Social security costs	1,452,803	1,035,132	814,450	347,113
Cost of defined contribution scheme	305,622	24,499	59,501	7,034
	16,292,286	7,600,653	8,053,932	3,684,706

The average monthly number of persons employed by the Group, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Product Development	144	75
Sales and Marketing	138	83
General Administration	36	23
	318	181

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	492,370	526,094
Compensation for loss of office	50,000	-
	<u>542,370</u>	<u>526,094</u>

The highest paid Director received remuneration of £270,600 (2017 - £226,094).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £703 (2017 - £652).

The total accrued pension provision of the highest paid Director at 31 December 2018 amounted to £67 (2017 - £33).

9. Interest receivable

	2018 £	2017 £
Bank interest receivable	<u>1,380</u>	<u>1,056</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank and other interest payable	<u>125,930</u>	<u>137,063</u>

11. Taxation

	2018 £	2017 £
R&D tax credits received	(629,459)	(616,508)
Adjustments in respect of previous periods	20,590	76,234
Tax charge for the year	136,045	5,975
Total current tax	<u>(472,824)</u>	<u>(534,299)</u>

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(17,618,651)</u>	<u>(7,742,758)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	(3,347,544)	(1,471,084)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	120,515	(132,004)
Capital allowances for year in excess of depreciation	(5,746)	(6,575)
Utilisation of tax losses	(48,705)	(48,689)
Higher rate taxes on overseas earnings	(5,913)	(10,755)
Adjustments to tax charge in respect of prior periods	20,590	76,234
Other timing differences leading to an increase (decrease) in taxation	29,659	22,627
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(629,459)	(622,483)
Unrelieved tax losses carried forward	3,405,900	1,666,551
Other differences leading to an increase (decrease) in the tax charge	(12,121)	(8,121)
Total tax charge for the year	<u>(472,824)</u>	<u>(534,299)</u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

A potential deferred tax asset has not been recognised in respect of trading losses carried forward of £21,929,470 (2017: £14,682,921) due to the inherent uncertainty regarding the timing of future profits.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2018	102,598	405,560	508,158
Additions	341,371	435,771	777,142
Disposals	(9,715)	(42,948)	(52,663)
At 31 December 2018	<u>434,254</u>	<u>798,383</u>	<u>1,232,637</u>
Depreciation			
At 1 January 2018	59,107	212,092	271,199
Charge for the year on owned assets	51,775	192,681	244,456
Disposals	(1,108)	(9,921)	(11,029)
At 31 December 2018	<u>109,774</u>	<u>394,852</u>	<u>504,626</u>
Net book value			
At 31 December 2018	<u>324,480</u>	<u>403,531</u>	<u>728,011</u>
At 31 December 2017	<u>43,491</u>	<u>193,468</u>	<u>236,959</u>

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Tangible fixed assets (continued)

Company

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2018	32,596	121,261	153,857
Additions	267,275	172,352	439,627
At 31 December 2018	<u>299,871</u>	<u>293,613</u>	<u>593,484</u>
Depreciation			
At 1 January 2018	19,197	66,127	85,324
Charge for the year on owned assets	48,293	80,791	129,084
At 31 December 2018	<u>67,490</u>	<u>146,918</u>	<u>214,408</u>
Net book value			
At 31 December 2018	<u>232,381</u>	<u>146,695</u>	<u>379,076</u>
At 31 December 2017	<u>13,399</u>	<u>55,134</u>	<u>68,533</u>

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	4,530
Additions	1,000
	5,530
At 31 December 2018	5,530

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Receipt Bank Inc	160 Greentree Drive, Suite 101, Dover, County of Kent, Delaware, United States of America	Ordinary	100%
Receipt Bank Australia Pty Limited	Suite 202, 35 Buckingham Street, Sydney, New South Wales, 2010, Australia	Ordinary	100%
RB Sofia EOOD	Asparoukh Street No 7 fl. 4, Triadista District, c. 1464 Sofia, Bulgaria	Ordinary	100%
1Tap App Limited	99 Clifton Street, London, EC2A 4LG, United Kingdom	Ordinary	100%
Receipt Bank France SARL	41, Rue Camille Desmoulins, Issy-les- Moulineaux, France	Ordinary	100%
Receipt Bank SA Pty Limited	1268 Paddington Street, Extension One, Lenasia South, Gauteng, 1820, South Africa	Ordinary	100%
RBK Software Limited	400-725 Granville Street, Vancouver, BC V7Y 1G5, Canada	Ordinary	100%

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2018 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Receipt Bank Inc	(278,747)	240,040
Receipt Bank Australia Pty Limited	(162,238)	170,360
RB Sofia EOOD	534,173	324,230
1Tap App Limited	(3,075,706)	(1,198,511)
Receipt Bank France SARL	28,173	27,639
Receipt Bank SA Pty Limited	17,681	12,044
RBK Software Limited	-	-

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Debtors

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Trade debtors	2,060,915	1,279,585	901,132	624,964
Amounts owed by group undertakings	-	-	-	4,755,320
Other debtors	333,490	310,021	150,752	50,437
Prepayments and accrued income	1,309,710	584,925	1,041,230	512,232
Tax recoverable	1,216,589	920,090	1,084,325	829,200
	<u>4,920,704</u>	<u>3,094,621</u>	<u>3,177,439</u>	<u>6,772,153</u>

15. Cash and cash equivalents

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Cash at bank and in hand	4,247,897	10,066,359	1,796,434	7,772,000
	<u>4,247,897</u>	<u>10,066,359</u>	<u>1,796,434</u>	<u>7,772,000</u>

16. Creditors: Amounts falling due within one year

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Bank loans	-	181,818	-	181,818
Trade creditors	2,038,823	449,337	1,700,610	461,363
Amounts owed to group undertakings	-	-	464,155	81,546
Corporation tax	106,121	-	-	-
Other taxation and social security	1,173,063	525,481	365,496	210,303
Other creditors	118,677	169,835	12,583	25,800
Accruals and deferred income	2,858,917	1,848,902	1,601,053	1,083,858
	<u>6,295,601</u>	<u>3,175,373</u>	<u>4,143,897</u>	<u>2,044,688</u>

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due after more than one year

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Bank loans	-	212,121	-	212,121
	<u>-</u>	<u>212,121</u>	<u>-</u>	<u>212,121</u>
	<u>-</u>	<u>212,121</u>	<u>-</u>	<u>212,121</u>

During the year, the Parent company entered into a new loan facility which includes both a term loan facility and a revolving facility with a combined facility limit of £13,000,000. The term loan facility has an interest rate of 4.50% + Libor. The revolving facility has an interest rate of 2.80% + Libor. At the year end the Parent company had not drawn down the loan and no liability has been recognised. Refer to note 25 for details of loan drawings post year-end.

Security

The loan facilities are secured by way of a debenture which establishes a fixed and floating charge over the assets of the Group.

18. Financial instruments

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Financial assets				
Financial assets measured at fair value through profit or loss	4,247,897	10,066,359	1,796,434	7,772,000
Financial assets measured at amortised cost	2,394,405	1,589,606	1,051,884	5,430,721
	<u>6,642,302</u>	<u>11,655,965</u>	<u>2,848,318</u>	<u>13,202,721</u>
Financial liabilities				
Financial liabilities measured at amortised cost	2,876,310	1,653,201	2,795,092	1,495,417
	<u>2,876,310</u>	<u>1,653,201</u>	<u>2,795,092</u>	<u>1,495,417</u>

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Financial instruments (continued)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents. The Group's financial instruments measured at amortised cost comprise bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, and foreign currency exchange rate risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the Group's finance department.

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The Group's credit control function actively manages credit risk exposure at the counterparty level, reporting to management on at least a monthly basis.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The Group's financial liabilities (none of which are derivative financial liabilities) comprise trade creditors and bank borrowings which are measured at amortised cost. The trade creditors are all payable within six months.

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Group has a policy of maintaining debt at fixed rates where possible to ensure certainty of future interest cash flows. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Details of the terms of the Group's borrowings are disclosed in note 17.

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate risk as a result of trade debtors and trade creditors which will be settled in foreign currencies. The Group does not hedge any of its trading activities.

19. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
13,493,893 (2017 - 13,397,700) Ordinary shares of £0.0001 each	1,350	1,340
3,998,900 (2017 - 3,998,900) Series A shares of £0.0001 each	400	400
3,840,972 (2017 - 2,304,584) Series B shares of £0.0001 each	384	230
283,986 (2017 - nil) Growth shares of £0.0001 each	28	-
	<hr/>	<hr/>
	2,162	1,970
	<hr/>	<hr/>

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. Share capital (continued)

Shares issued during the period

On 27 June 2018 141,996 £0.0001 Growth shares were issued for consideration of £3,124. The premium of £3,110 has been credited to the share premium account.

On 27 June 2018 1,536,388 £0.0001 Series B shares were issued for consideration of £9,999,996. The premium of £9,999,842 has been credited to the share premium account.

On 21 September 2018 96,193 £0.0001 Ordinary shares were issued for consideration of £962. The premium of £952 has been credited to the share premium account.

On 8 October 2018 93,690 £0.0001 Growth shares were issued for consideration of £3,092. The premium of £3,083 has been credited to the share premium account.

On 12 November 2018 48,300 £0.0001 Growth shares were issued for consideration of £1,594. The premium of £1,589 has been credited to the share premium account.

The parent company incurred share issue costs of £53,961 in relation to shares issued during the period (2017: £603,269). These costs have been offset against the share premium received on issue.

Rights, preferences and restrictions

The Ordinary, Series A, and Series B shares confer on each holder the right to attend general meetings and vote on proposed resolutions. Ordinary shareholders participate *pari passu* in dividends declared by the Company.

On exit, liquidation or return of capital any surplus will be paid out first to the Series B shareholders, and second to the Series A shareholders until they have received an amount equal to the subscription price and thereafter any remaining assets will be paid *pro rata* to the Ordinary and Series A shareholders.

Growth shares have no voting rights or dividend rights attached to them. Growth shares have no specific rights of redemption.

On a capital distribution, Growth shareholders are entitled to receive 0.1% of any distribution due to the holders of Ordinary shares, prior to each holder of Series A and Ordinary shares receiving an amount per share equal to 99.9% of the hurdle amount. Thereafter, Growth shareholders participate *pari passu* with the holders of Series A and Ordinary shares.

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Share options

The Parent Company has a share option scheme for certain employees (including directors). Where share options are issued to employees of subsidiaries, the share option charge relating to these employees is recognised entirely by the Parent Company.

Share options are exercisable at a price determined through each individual option agreement. Options have varying vesting terms, with the majority expiring after 10 years and becoming exercisable upon the sale or listing of the Parent Company.

Details of the number of share options and the weighted average exercise price outstanding during the period are as follows:

	2018	Weighted average exercise price £	2017	Weighted average exercise price £
Outstanding at beginning of period	1,881,113	0.37	12,829	54.80
Granted during the period (pre share split 2017)	-	-	5,231	1.00
Adjustment: 2017 share split	-	-	1,787,902	-
Adjusted balance	1,881,113	0.37	1,805,962	0.39
Granted during the 2018 period (2017 granted post share split)	288,594	0.71	404,851	0.01
Expired during the period	(536,043)	0.01	(329,700)	0.04
	1,633,664	0.55	1,881,113	0.37

The Parent Company recognised a total charge of £1,031,902 (2017: £642,476) in relation to equity settled share based payment transactions during the year, resulting in an increase in the share-based payment reserve to £1,985,008 (2017: £953,106). Fair values were calculated using the Black-Scholes method.

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

21. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Foreign exchange reserve

The reserve relates to the retranslation of foreign subsidiaries to the Group functional currency, being GBP.

Profit and loss account

This represents the accumulated losses incurred by the Group.

Share based payment reserve

This reserve relates to the fair value of the options granted which has been charged to profit or loss over the vesting period of the options.

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £305,622 (2017: £24,499). Contributions totalling £105,595 (2017: £Nil) were payable to the fund at the reporting date and are included in other creditors.

23. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	<i>Group 2017 £</i>	Company 2018 £	<i>Company 2017 £</i>
Not later than 1 year	1,610,344	752,520	738,552	197,671
Later than 1 year and not later than 5 years	4,290,306	408,781	831,629	71,256
Later than 5 years	39,067	-	-	-
	<u>5,939,717</u>	<u>1,161,301</u>	<u>1,570,181</u>	<u>268,927</u>

RECEIPT BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. Related party transactions

In line with the requirements of FRS 102 the Company is not required to disclose transactions with Group companies on the grounds that these companies are wholly owned within the Group.

Transactions with Directors during the period:

Transactions with Directors were limited to out-of-pocket expenses and Directors' remuneration. There were no other transactions with Directors during the year. Total Directors' remuneration for the year was £542,370 (2017: £526,094). The highest paid Director received remuneration of £270,600 (2017: £226,094).

Transactions with companies under common control in the period:

Amounts billed within the year from companies under common control were £nil (2017: £176,888) relating to consultancy services. Amounts owing to relating parties at the statement of financial position date were £nil (2017: £8,483).

Transactions with key management personnel:

Key management personnel are considered to be the Directors of the Parent Company. Total transactions with key management personnel for the year were £542,370 (2017: £526,094).

25. Post balance sheet events

Loan facility

On 22 February 2019 the Parent Company drew down £2,500,000 from the available term loan facility.

On 23 April 2019 the Parent Company drew down £2,500,000 from the available term loan facility.

18 July 2019 the Parent Company drew down £2,500,000 from the available revolving facility.

24 September 2019 drew down £2,500,000 from the available revolving facility.

On 24 September 2019, the Parent Company entered into an amended loan facility agreement to increase the existing facility limits by £7,000,000 to a combined facility limit of £20,000,000. The amended loan facility agreement includes a share purchase warrant agreement which was issued to the lender to the value of £250,000. The exercise price is subject to a 25% discount on the price per share in certain circumstances.

Change of Directors

On 19 February 2019 P Szurek resigned as a Director of the Parent Company. On the same day, J A Ewell was appointed as a Director. On 25 February 2019 A P Blair was appointed as a Director and CEO of the Parent Company.

On 17 September 2019 C Mullin was appointed as a Director and CFO of the Parent Company.

Share allotment and repurchase

On 7 January 2019 the Parent Company repurchased 39,254 Growth shares with a nominal value of £0.0001 per share.

On 31 January 2019 the Parent Company allotted 3,971 Growth shares with a nominal value of £0.0001 for £0.033 per share.

On 13 February 2019 the Parent Company allotted 2,206 Growth shares with a nominal value of £0.0001 for £0.033 per share. On the same date the Parent Company allotted 2,305 Ordinary shares with a nominal value of £0.0001 for £0.01 per share.

RECEIPT BANK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. Post balance sheet events (continued)

On 21 February 2019 the Parent Company allotted 150,600 Ordinary shares with a nominal value of £0.0001 for £0.01 per share.

On 24 February 2019 the Parent Company allotted 53,839 Ordinary shares with a nominal value of £0.0001 for £0.01 per share.

On 24 March 2019 the Parent Company allotted 676,318 Growth shares with a nominal value of £0.0001 for £0.033 per share.

On 22 May 2019 the Parent Company allotted 2,920 Growth shares with a nominal value of £0.0001 for £0.033 per share.

On 11 June 2019 the Parent Company allotted 4,274 Growth shares with a nominal value of £0.0001 for £0.033 per share.

On 3 July 2019 the Parent Company allotted 18,744 Ordinary shares with a nominal value of £0.0001 for £0.01 per share.

On 10 July 2019 the Parent Company allotted 153,900 Ordinary shares with a nominal value of £0.0001 for £0.01 per share.

On 26 July 2019 the Parent Company allotted 2,109 Growth shares with a nominal value of £0.0001 for £0.033 per share.

On 21 August 2019 the Parent Company allotted 21,475 Ordinary shares with a nominal value of £0.0001 for £0.033 per share.

26. Controlling party

Receipt Bank Limited is regarded by the Directors of the Parent Company as having no ultimate controlling party at 31 December 2018.