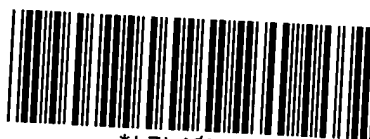


CASHFAC INITIATIVE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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CASHFAC INITIATIVE LIMITED

COMPANY INFORMATION

Directors	P W Ormrod K Stewart H J McNally R Wilson J P J Ferguson R T Cummings L Cottrill T J Stockton A C McGill (resigned 23 April 2018)
Company secretary	H J McNally
Registered number	02570541
Registered office	50 Mark Lane London EC3R 7QR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

CASHFAC INITIATIVE LIMITED

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CASHFAC INITIATIVE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

Business review and future developments

After high growth in 2017, revenue declined 3.4% in 2018. Remedial action has been taken in sales and in the speed of delivery so the directors expect a return to revenue growth in financial 2019. As a pointer to the future, the annualised value of our future recurring revenue contracts was up almost 20% at the end of financial year 2018.

2018 was an outstanding year for Cashfac products and profile. In October 2018, Cashfac PLC was granted a licence by the Financial Conduct Authority to operate as a payment service provider in Open Banking.

We then lost no time in launching Slide, our Open Banking app for early stage businesses and SMEs. Initially for operation on iPads Slide will soon be available on iPhones. The app is now listed on the Xero marketplace; reaction at the Xero Conference (XeroCon) in London during November was outstanding. We are now connecting Slide to other high growth accounting platforms.

Slide is a mobile banking and cash flow app for the manager of the smaller business. Cash management is the single most important reason for the failure of so many early stage and small businesses. Leveraging Open Banking to combine continuous cash flow with payments, Slide nudges the small business manager without training into the techniques of cash management. Under the strap line No More Guesses, Slide focuses on the now and near; it reaches forward from within the bank account into the future, connecting to invoicing and nudging user actions. With the iPad's tactile interface it enables the user to slide an invoice to pay it later, or tap an invoice to pay or part pay it now. It provides continuous, precise and friendly guidance. At a touch it lets the user see the cash flow for each customer or each supplier enabling key relationships to be managed in real time on a cash basis. Slide truly represents a new way for the businessperson to manage cash within stolen minutes of the working day. It rounds off the manager's entrepreneurial drive with financial skills. Slide is priced as an app, placing the product within familiar pricing territory for iPad and smart phone users and enabling channel partners such as non bank lenders to the SME market to consider distributing the product as a low/no cost feature in their service model.

The launch of Slide is the culmination of 3 years continuous investment in a wholly Cashfac invention. The cash that enabled us to make such an investment without external funding and in full ownership of all the intellectual property was generated through Cashfac's established business which is centred around Cashfac Virtual Bank Technology (VBT). Last year we referred to the new, multi blade version of VBT. Over the past year this product has been deployed successfully in Australia and The Netherlands in addition to its use in the UK, making it a broadly welcomed product able to adapt to different industries and different regulatory regimes. With our continuing success it is natural for our long term EU operations to be served through our Amsterdam subsidiary.

Recurring revenues from the distribution of VBT have covered over 50% of Cashfac costs, including Cashfac's investment in Slide and in new generation VBT. I expect continued growth in the recurring revenue numbers and to be able to report an overall increase in revenue in 2019. Our new products position us well both in terms of the new banking environment in Europe where Slide fills a gap in banking services to smaller businesses, and in relation to the growing awareness in banking of the productivity value to large businesses of virtual account platforms where Cashfac has maintained its design lead.

Slide is priced as a volume product so that this part of the business will consume cash over the near term. VBT is aimed at large businesses that benefit from productivity gains in transaction and client account processing and so VBT follows a licence pricing model with strong early cash flows. From a market perspective and a cash flow perspective the two products will be complementary.

We invested over 25% of top line revenue in Cashfac products during the year. We kept a close watch on the cash flow demands of our product investment and maintained the dividend to shareholders during the year. We fund our investment in product development wholly through revenue from trading and so we will continue to focus on cash flow as we scale up the distribution of Slide.

CASHFAC INITIATIVE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Principal risks and uncertainties

Technology risks

The risks in software development and marketing are in the delivery to contract and the continuing marketability and income generation of existing and new product. We manage these risks by a combination of (1) long term service contracts that bind us and our customers to a continuous evolutionary enhancement of our technology so that we limit the volatility in revenues and (2) we update and reuse core software in these programmes and, wherever possible, in new developments so that delivery to proposal is more certain. To avoid obsolescence we sustain a speculative development programme funded by internal cash generation so that we refresh existing technology with new function and architecture, and create new technology to extend the functional fringe of, and market for, our products.

Financial risks

The company seeks to manage financial risk through a strong emphasis on cash flow management, scenario driven analysis and regular interaction with stakeholders. The company does not have any derivative financial instruments.

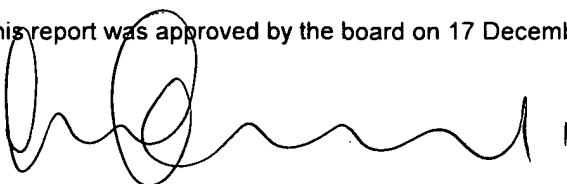
Credit risk

The company's principal financial assets are bank balances and cash, trade receivables and investments. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with reasonable credit-ratings assigned by international credit-rating agencies. The company regularly monitors its exposure to significant concentrations of credit risk and seeks to reduce this through working with a large number of counterparties and customers.

Liquidity risk

Through detailed cash flow forecasting and capital expenditure planning, the company monitors working capital and capital expenditure requirements and through the use of short-term deposits ensures that cash is available to meet obligations as they fall due.

This report was approved by the board on 17 December 2018 and signed on its behalf.



P W Ormrod

Founder & Executive Vice Chairman, Director

CASHFAC INITIATIVE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Principal activity

The principal activity of the company is the development, sale, operation and maintenance of cash management systems and client money systems that enable financial services and other businesses to manage cash operations more efficiently and to comply with stringent regulations over client money operations.

Results and dividends

The directors are pleased report revenues of £8.5m (2017: £8.9m). Profit before tax was £514,467 (2017: £1,309,957). Cash at year end was £3.0m (2017: £4.3m).

Going concern

The directors review the company's budgets and cash flow forecasts on a regular basis, which include assumptions surrounding future revenue generation, the associated timing of cash receipts, expenditure and the receipt of corporation tax credits. From their review, the directors are satisfied that the company has adequate resources available to it, to continue as a going concern for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

Directors

The directors who served during the year and their interests in the company's issued share capital were:

	Ordinary shares shares of 10p each	
	30/9/18	1/10/17
P W Ormrod	1,541,701	1,552,301
K Stewart	14,158	9,056
H J McNally	13,602	11,000
R Wilson	4,852	2,250
J P J Ferguson	6,383	3,781
R T Cummings	-	-
L Cottrill	2,602	-
T J Stockton	4,000	-
A C McGill (resigned 23 April 2018)	-	-

CASHFAC INITIATIVE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Directors (continued)

The directors had options to subscribe for ordinary shares in Cashfac Plc as follows:

	Option Price	30 September 2017 £	Exercised during the year £	Cancelled during the year £	Granted during the year £	30 September 2018 £
P W Ormrod	£1.30	75,000	-	-	-	75,000
P W Ormrod	£1.50	100,000	(3,400)	(96,600)	-	-
K Stewart	£1.20	10,000	(2,500)	(7,500)	-	-
K Stewart	£1.03	50,000	-	-	-	50,000
K Stewart	£0.83	2,602	(2,602)	-	-	-
H J McNally	£1.20	15,000	-	(15,000)	-	-
H J McNally	£0.83	2,602	(2,602)	-	-	-
H J McNally	£1.03	49,000	-	-	-	49,000
R Wilson	£1.50	100,000	-	(100,000)	-	-
R Wilson	£0.83	2,602	(2,602)	-	-	-
J P J Ferguson	£1.20	5,000	-	(5,000)	-	-
J P J Ferguson	£1.03	60,000	-	-	-	60,000
J P J Ferguson	£0.83	2,602	(2,602)	-	-	-
A C McGill	£1.13	5,000	-	(5,000)	-	-
R T Cummings	£1.13	5,000	-	-	-	5,000
T Stockton	£1.20	5,000	(2,000)	(3,000)	-	-
T Stockton	£0.83	2,602	(2,000)	(602)	-	-
L Cottrill	£1.20	3,000	-	(3,000)	-	-
L Cottrill	£1.03	5,000	-	-	-	5,000
L Cottrill	£0.83	2,602	(2,602)	-	-	-

CASHFAC INITIATIVE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Directors' responsibilities statement

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditor

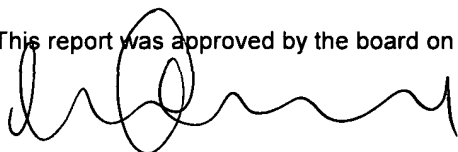
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 December 2018 and signed on its behalf.



P W Ormrod

Founder & Executive Vice Chairman, Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASHFAC INITIATIVE LIMITED

Opinion

We have audited the financial statements of Cashfac Initiative Limited for the year ended 30 September 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 company's affairs as at 30 September 2018 and of its profit 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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

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 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 CASHFAC INITIATIVE LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

Opinions 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.

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASHFAC INITIATIVE LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 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 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 company 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.



Paul Flatley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London Finsbury

18 December 2018

CASHFAC INITIATIVE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	8,510,620	8,913,563
Distribution costs		(852,804)	(1,165,675)
Gross profit		7,657,816	7,747,888
Administrative expenses		(7,151,036)	(6,436,683)
Operating profit	6	506,780	1,311,205
Interest receivable and similar income	10	10,512	1,446
Interest payable and expenses	11	(2,825)	(2,694)
Profit before tax		514,467	1,309,957
Tax on profit	12	467,286	254,109
Profit for the financial year		981,753	1,564,066

There was no other comprehensive income for 2018 (2017: £Nil).

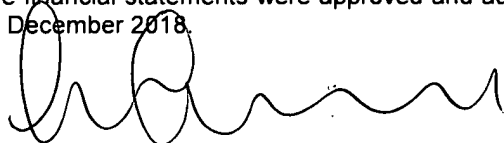
The notes on pages 12 to 28 form part of these financial statements.

CASHFAC INITIATIVE LIMITED
REGISTERED NUMBER:02570541

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	5,729,297	4,719,117
Tangible assets	14	112,127	134,387
		<u>5,841,424</u>	<u>4,853,504</u>
Current assets			
Debtors: amounts falling due within one year	15	5,352,444	4,061,398
Cash at bank and in hand	16	3,015,833	4,255,977
		<u>8,368,277</u>	<u>8,317,375</u>
Creditors: amounts falling due within one year	17	(1,833,130)	(1,725,238)
Deferred income		(1,259,780)	(1,310,603)
		<u>5,275,367</u>	<u>5,281,534</u>
Net current assets			
		<u>11,116,791</u>	<u>10,135,038</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year		(2,425,672)	(2,425,672)
Preference shares		(75,000)	(75,000)
		<u>8,616,119</u>	<u>7,634,366</u>
Net assets			
		<u>8,616,119</u>	<u>7,634,366</u>
Capital and reserves			
Called up share capital	21	1,276	1,276
Share premium account	22	330,164	330,164
Share option reserve	22	40,492	77,685
Profit and loss account	22	8,244,187	7,225,241
		<u>8,616,119</u>	<u>7,634,366</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2018.



P W Ormrod
Director

The notes on pages 12 to 28 form part of these financial statements.

CASHFAC INITIATIVE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Share premium account	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 October 2017	1,276	330,164	77,685	7,225,241	7,634,366
Comprehensive income for the year					
Profit for the year	-	-	-	981,753	981,753
Total comprehensive income for the year	-	-	-	981,753	981,753
Total transactions with owners	-	-	(37,193)	37,193	-
At 30 September 2018	1,276	330,164	40,492	8,244,187	8,616,119

The notes on pages 12 to 28 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	Called up share capital	Share premium account	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 October 2016	1,276	330,164	68,467	5,657,802	6,057,709
Comprehensive income for the year					
Profit for the year	-	-	-	1,564,066	1,564,066
Total comprehensive income for the year	-	-	-	1,564,066	1,564,066
Share options movement	-	-	9,218	3,373	12,591
Total transactions with owners	-	-	9,218	3,373	12,591
At 30 September 2017	1,276	330,164	77,685	7,225,241	7,634,366

The notes on pages 12 to 28 form part of these financial statements.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. General information

Cashfac Initiative Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at 50 Mark Lane, London, EC3R 7QR.

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 financial statements are presented in Sterling (£).

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

The following principal accounting policies have been applied:

2.2 Going concern

The directors review the company's budgets and cash flow forecasts on a regular basis, which include assumptions surrounding future revenue generation, the associated timing of cash receipts, expenditure and the receipt of corporation tax credits. From their review, the directors are satisfied that the company has adequate resources available to it, to continue as a going concern for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

2.3 Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes.

Revenue from software services and the provision of general services is recognised over the period in which the service is provided.

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

2.4 Cashflow statement

The company has taken an exemption available under Companies Act not to prepare a Cashflow statement, as its cashflows are included in the consolidated financial statements of Cashfac plc, its parent company.

2.5 Intangible assets

Intangible Assets are written off over 5 years on a straight line basis.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.6 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, on a reducing balance basis.

Depreciation is provided on the following basis:

Leasehold improvements	-	25% per annum
Fixtures and fittings	-	25% per annum
Computer equipment	-	100% 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 Statement of Comprehensive Income.

2.7 Research and development expenditure

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related product.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 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.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.12 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 resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the 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.

2.14 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 company in independently administered funds.

2.16 Interest income

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

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

2.19 Share based payments

Certain group employees and Directors are allowed to acquire shares of the company under share option schemes, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee or director becomes unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking account of the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest where forfeiture is due to performance criteria not being met during the life of the option.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The only significant judgements relate to estimated costs to complete long term contracts which drive the revenue recognised on these contracts.

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

4. Turnover

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

	2018 £	2017 £
Licensing fee	1,539,294	2,176,144
Implementation services	2,530,479	2,518,486
Maintenance and support services	4,440,847	4,218,933
	<u>8,510,620</u>	<u>8,913,563</u>

	2018 £	2017 £
United Kingdom	5,119,972	8,353,701
Rest of Europe	984,578	332,117
Rest of the world	2,406,070	227,745
	<u>8,510,620</u>	<u>8,913,563</u>

5. Distribution expenses

Distribution expenses are data centre fees and commission payments made in respect of turnover.

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	35,365	42,880
Amortisation of development expenditure	1,430,132	1,251,105
Exchange differences	63,888	(2,812)
Other operating lease rentals	208,629	166,171
Equity settled share based payment	-	12,591
	<u>-</u>	<u>-</u>

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

7. Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>16,000</u>	<u>15,000</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation services	13,750	13,750
All other services	<u>26,675</u>	<u>1,750</u>

8. Employees

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

	2018 £	2017 £
Wages and salaries	4,419,950	4,122,483
Social security costs	561,055	512,535
Cost of defined contribution scheme	48,996	40,185
	<u>5,030,001</u>	<u>4,675,203</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Development and managed services	55	38
Sales and consultancy	18	16
Administration	12	8
	<u>85</u>	<u>62</u>

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

9. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	1,316,786	1,626,493
Company contributions to defined contribution pension schemes	23,851	16,539
	<u>1,340,637</u>	<u>1,643,032</u>

During the year retirement benefits were accruing to 9 directors (2017: 9) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £255,727 (2017: £354,634).

10. Interest receivable

	2018	2017
	£	£
Other interest receivable	<u>10,512</u>	<u>1,446</u>

11. Interest payable and similar expenses

	2018	2017
	£	£
Bank interest payable	<u>2,825</u>	<u>2,694</u>

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	458,828	262,208
Adjustments in respect of previous periods	6,010	6,689
Total current tax	<u>464,838</u>	<u>268,897</u>
Deferred tax		
Origination and reversal of timing differences	2,448	(14,788)
Total deferred tax	<u>2,448</u>	<u>(14,788)</u>
Taxation on profit on ordinary activities	<u>467,286</u>	<u>254,109</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: *lower than*) the standard rate of corporation tax in the UK of 19% (2017: 19.5%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>514,467</u>	<u>1,309,957</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.5%)	(97,749)	(255,442)
Effects of:		
Income not taxable for tax purposes	463,659	373,898
Expenses not deductible for tax purposes	(275,427)	(2,331)
Adjustments to tax charge in respect of prior periods	-	335,901
Enhanced tax relief on R&D expenditure	383,145	392,175
Movement in tax rates	(12,353)	(31,535)
Deferred tax not recognised	6,011	(558,557)
Total tax charge for the year	<u>467,286</u>	<u>254,109</u>

Factors that may affect future tax charges

Trading losses of approximately £3,591,218 (2017: £3,591,218) have been carried forward and are available for set-off against future trading profits.

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

13. Intangible assets

	Development costs £
Cost	
At 1 October 2017	8,154,291
Additions	2,440,312
At 30 September 2018	<u>10,594,603</u>
Amortisation	
At 1 October 2017	3,435,174
Charge for the year	1,430,132
At 30 September 2018	<u>4,865,306</u>
Net book value	
At 30 September 2018	<u><u>5,729,297</u></u>
At 30 September 2017	<u><u>4,719,117</u></u>

Development costs are amortised over the period of expected future sales of the related projects up to a maximum of five years.

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

14. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 October 2017	324,365	150,329	474,694
Additions	12,067	1,038	13,105
At 30 September 2018	336,432	151,367	487,799
Depreciation			
At 1 October 2017	240,075	100,232	340,307
Charge for the year on owned assets	22,581	12,784	35,365
At 30 September 2018	262,656	113,016	375,672
Net book value			
At 30 September 2018	73,776	38,351	112,127
At 30 September 2017	84,290	50,097	134,387

15. Debtors

	2018 £	2017 £
Trade debtors	1,122,436	1,031,237
Amounts owed by group undertakings	1,921,699	1,723,457
Other debtors	19,788	5,432
Prepayments and accrued income	1,219,681	434,485
Tax recoverable	464,838	265,233
Deferred taxation	604,002	601,554
	5,352,444	4,061,398

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

16. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	3,015,833	4,255,977

17. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	552,800	404,650
Amounts owed to group companies	229,691	-
Taxation and social security	88,545	284,878
Accruals	962,094	1,035,710
	1,833,130	1,725,238

Taxation and social security creditor above includes £0 (2017: £6,286) of amounts due in respect of pension contributions.

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

	2018	2017
	£	£
Amounts owed to group undertakings	2,425,672	2,425,672
75,000 redeemable preference shares of £1 each	75,000	75,000
	2,500,672	2,500,672

A resolution has been passed by Cashfac Plc to make the intercompany creditor repayable to Cashfac Plc by Cashfac Initiative Limited as due in greater than one year.

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

19. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>3,528,761</u>	<u>2,760,127</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(4,245,257)</u>	<u>(3,941,032)</u>

Financial assets measured at amortised cost comprise of trade and other debtors and amounts due from group companies.

Financial liabilities measured at amortised cost comprise of trade and other creditors and amounts due to group companies

20. Deferred taxation

	2018 £	2017 £
At beginning of year	601,554	616,342
Charged to profit or loss	2,448	(14,788)
At end of year	<u>604,002</u>	<u>601,554</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Decelerated capital allowances	(6,505)	(8,953)
Tax losses carried forward	610,507	610,507
	<u>604,002</u>	<u>601,554</u>

CASHFAC INITIATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

21. Share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
12,760 (2017: 12,760) Ordinary shares shares of £0.10 each	<u>1,276</u>	<u>1,276</u>
	2018 £	2017 £
Shares classified as debt		
Allotted, called up and fully paid		
75,000 (2017: 75,000) Redeemable preference shares shares of £1.00 each	<u>75,000</u>	<u>75,000</u>

The rights attached to ordinary shares are to receive notice of, attend and vote at any general meeting of the company. They have a right to receive dividends *pari passu* with all other ordinary shares in the company after payment of any dividends payable to holders of the redeemable preference shares.

The rights attaching to the redeemable preference shares are:

- The shares carry a fixed non-cumulative preferential dividend at the rate of 0.01% per annum which is payable in the event that there are sufficient profits available for distribution.
- The redeemable preference shares, owned by the parent company Cashfac Plc, became redeemable at par in tranches of 5,000 shares per month from 31 January 1995 (unless there are insufficient distributable reserves available). In addition, the company has the right to redeem the shares on giving 30 days' notice in writing. No premium is payable on redemption.
- In the event of a winding up the redeemable preference shares have priority over ordinary shares in the distribution of assets.
- The holders of the redeemable preference shares have the right to receive notice of, but not to attend or vote at, any general meeting of the company other than in certain specified circumstances. The preference shares are included in long term liabilities — see note 18.

Share Options:

- Employee share option scheme: Cashfac PLC operates an employee SAYE share option scheme under which options are granted to eligible employees of the company.
53,587 options exercised in the year (2017: Nil).
- Other Options: Options have been granted under both approved and unapproved share option schemes in Cashfac plc.
12,000 options were exercised in the year (2017: 11,000).

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

21. Share capital (continued)

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

	2018 Number	2018 WEAP £	2017 Number	2017 WEAP £
Outstanding at prior year end date	613,961	1.21	572,120	1.18
Exercised during the year	(3,400)	1.5	5,000	1.20
Expired during the year	(196,000)	1.5	75,000	1.30
Exercised during the year	(8,600)	1.2	(11,000)	1.03
Expired during the year	(56,400)	1.2	(4,500)	0.96
Expired during the year	(5,000)	1.13	(5,000)	1.03
Expired during the year	(2,000)	1.03	(12,659)	0.83
Expired during the year	(15,374)	0.83	-	-
Exercised during the year	(53,587)	0.83	-	-
Outstanding at year end date	273,000	1.11	613,961	1.21

The Share Options outstanding at the end of the year including the grant date, maturity dates and exercise price are detailed below:

Grant Date	Maturity Date	Exercise price	Total No of options
Feb 2015	Sept 2019	£1.13	5,000
Mar 2015	Mar 2020	£1.03	178,000
July 2015	July 2020	£1.03	15,000
Dec 2016	Sep 2019	£1.30	75,000

22. Reserves**Share premium**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Includes all current and prior period retained profits and losses.

Share option reserve

Represents the fair value of equity share options issued.

CASHFAC INITIATIVE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

23. Commitments under operating leases

At 30 September 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	232,648	198,796
Later than 1 year and not later than 5 years	546,514	714,952
	<u>779,162</u>	<u>913,748</u>

24. Related party transactions

Accruals on note 17 include amounts payable of £76,163 (2017: £40,167) in respect of expenses due to a directors of Cashfac Plc.

As a wholly owned subsidiary of Cashfac Plc, the company is exempt from the requirements of FRS 102, section 33 to disclose transactions with other members of the group headed by Cashfac Plc.

The directors of the company are considered to be key management personnel. Their total remuneration is disclosed in Note 9.

25. Controlling party

Cashfac Initiative Limited is a wholly owned subsidiary of Cashfac Plc. Copies of the parent's group financial statements may be obtained from the Company Secretary at 50 Mark Lane, London, EC3R 7QR.