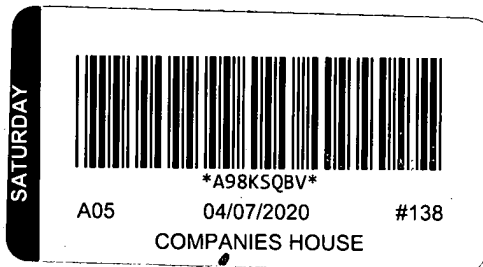


POCKIT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



POCKIT LIMITED

COMPANY INFORMATION

Directors

V B Jatania
I M Langley
M Newton-Jones
D Shafranik
B M Sanders (resigned 19 December 2018)

Company secretary

V B Jatania

Registered number

07157877

Registered office

Basepoint Business Centre
Riverside Court
Beaufort Park Way
Chepstow
Wales
NP16 5UH

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

POCKIT LIMITED

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POCKIT LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Introduction

The directors present their strategic report for Pockit Limited for the year ended 31 December 2018.

Principal Activity

The principal activity of Pockit is to offer current account services to users in the UK who are typically excluded and underserved by other financial institutions. Pockit's suite of product offerings include mobile accessible accounts, debit cards, cash deposit services and foreign transfers.

Business Environment

Pockit seeks to provide essential current account services to those who would otherwise be unbanked. The company prides itself on taking an ethical stance to providing financial services to consumers in the UK in the belief that all consumers should have access to a current account.

As a business that puts technology solutions at the forefront of its strategy, Pockit combines its own proprietary technology such to ensure that Pockit card users receive a mobile accessible service achieving high quality standards for usability and reliability.

Business review and future developments

Pockit launched its award winning current account services in 2014 with a focus on the underserved segment within the UK. Pockit seeks to support the 12 million people in the UK in this segment providing them with electronic current account services to receive their salary, ability to pay cash in and make daily purchases via retailers or via e-commerce. Pockit also enables its customers to save money through cashback offers it has negotiated with leading retailers in the UK.

During 2018 Pockit continued to invest in its proprietary technology platform and the customer facing elements of the product. This includes launching its innovative credit building product, Pockit Loqbox, enhancements to the Pockit app and the Pockit platform. The company grew to 50 employees with the majority of those based out of the offices in London.

In 2018 Pockit achieved 79% growth on its revenue compared to the prior year. The business results for Pockit for the year show Revenue £1,890,669 (2017: £1,091,472) and a loss after taxation of £5,019,689 (2017: £4,762,748).

In 2020, Pockit will continue to focus on developing its technological infrastructure to use its E-Money license, launch additional products and services for its customers and work on large scale partnerships to enhance its customer acquisition strategy. During the last 18 month period the business has raised capital in line with its projected requirements. The company will be continuing to raise additional funds to ensure it has adequate resources to meet its planned growth objectives. Further details are provided in note 2.2 of the financial statements.

POCKIT LIMITED

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

Principal risks and uncertainties

The principal risks and uncertainties that Pockit faces include those associated with systems interruptions of its own platform or of its partners. The company has taken significant steps to mitigate against such risks and uncertainties from impacting the operations of the business. There was a brief interruption of services in June 20 due to circumstances outside of Pockit control as disclosed in note 21.

Pockit is also dependent on continuing to see strong uptake of its services by potential customers in order to generate ongoing revenue streams. As the company continues to expand and invest it would, reasonably, expect to raise further capital in addition to the funding already raised to date.

Pockit is a business regulated by the FCA and as such undertakes responsibilities relating to the risks of criminal activities and money laundering. In order to mitigate these risks Pockit has a robust know-your-customer ('KYC') and anti-money laundering ('AML') procedures in place, including ongoing transactions monitoring, and has invested heavily to address these risks from its inception.

Financial key performance indicators

The directors monitor revenues and operating costs as the key performance indicators of the company. Whilst the company incurred a loss this was anticipated and in line with the financial planning agreed by the board.

Other key performance indicators

The acquisition and retention of customers, number of active customers and volumes of customer transactions are regarded as the other key performance indicators.

The directors are committed to promoting the health, safety and welfare of staff members and ensure appropriate measures are undertaken in this regard.

The directors are mindful of environmental issues and have sought to minimise the impact of the company's activities on the environment.

This report was approved by the board on 03 July 2020 and signed on its behalf.



V B Jatania
Director

POCKIT 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 £5,019,689 (2017: loss £4,762,748).

Directors

The directors who served during the year were:

V B Jatania
I M Langley
M Newton-Jones
D Shafranik
B M Sanders (resigned 19 December 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.

POCKIT LIMITED

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

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 03 July 2020 and signed on its behalf.



V B Jatania
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POCKIT LIMITED

Opinion

We have audited the financial statements of Pockit Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 31 December 2018 and of its 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 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.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the company incurred a net loss of £5,019,689 during the year ended 31 December 2018 and, as of that date, the company's current liabilities exceeded its total assets by £653,285. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.



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

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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POCKIT 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.

Use of our report

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.

Grant Thornton UK LLP

David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, Finsbury
Date: 3/7/2020

POCKIT LIMITED

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

	Note	2018 £	2017 £
Turnover	3	1,890,669	1,091,472
Cost of sales		(1,857,798)	(1,408,611)
Gross profit/(loss)		32,871	(317,139)
Administrative expenses		(5,158,401)	(4,520,244)
Operating loss	4	(5,125,530)	(4,837,383)
Interest payable and expenses	8	(215,400)	(88,130)
Other income		65,818	16,995
Loss before tax		(5,275,112)	(4,908,518)
Tax on loss	10	255,423	145,770
Loss for the financial year		(5,019,689)	(4,762,748)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 13 to 23 form part of these financial statements.

POCKIT LIMITED
REGISTERED NUMBER: 07157877

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	985,436	508,440
Tangible assets	12	58,100	58,231
		<u>1,043,536</u>	<u>566,671</u>
Current assets			
Debtors: amounts falling due within one year	13	416,618	559,046
Cash at bank and in hand	14	24,822	254
		<u>441,440</u>	<u>559,300</u>
Creditors: amounts falling due within one year	15	(2,138,261)	(1,625,700)
Net current liabilities		<u>(1,696,821)</u>	<u>(1,066,400)</u>
Total assets less current liabilities		<u>(653,285)</u>	<u>(499,729)</u>
Creditors: amounts falling due after more than one year	16	(6,869,594)	(2,003,461)
Net liabilities		<u><u>(7,522,879)</u></u>	<u><u>(2,503,190)</u></u>
Capital and reserves			
Called up share capital	17	790,458	790,458
Share premium account		7,708,549	7,708,549
Profit and loss account		(16,021,886)	(11,002,197)
		<u><u>(7,522,879)</u></u>	<u><u>(2,503,190)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
03 July 2020

V B Jatania
Director



The notes on pages 13 to 23 form part of these financial statements.

POCKIT LIMITED

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	790,458	7,708,549	(11,002,197)	(2,503,190)
Comprehensive income for the year				
Loss for the year	-	-	(5,019,689)	(5,019,689)
Total comprehensive income for the year	-	-	(5,019,689)	(5,019,689)
At 31 December 2018	790,458	7,708,549	(16,021,886)	(7,522,879)

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	672,971	5,031,037	(6,239,449)	(535,441)
Comprehensive income for the year				
Loss for the year	-	-	(4,762,748)	(4,762,748)
Total comprehensive income for the year	-	-	(4,762,748)	(4,762,748)
Shares issued during the year	117,487	2,677,512	-	2,794,999
At 31 December 2017	790,458	7,708,549	(11,002,197)	(2,503,190)

The notes on pages 13 to 23 form part of these financial statements.

POCKIT LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(5,019,689)	(4,762,748)
Adjustments for:		
Depreciation and amortisation	237,507	150,794
Decrease/(increase) in debtors	142,427	(125,645)
Increase in creditors	573,169	486,342
Net cash generated from operating activities	<u>(4,066,586)</u>	<u>(4,251,257)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(9,825)	(33,203)
Purchase of intangible fixed assets	(704,547)	(444,161)
Net cash from investing activities	<u>(714,372)</u>	<u>(477,364)</u>
Cash flows from financing activities		
Issue of convertible debt	4,866,133	2,003,461
Issue of ordinary shares net of issue costs	-	2,795,000
Net cash used in financing activities	<u>4,866,133</u>	<u>4,798,461</u>
Net increase in cash and cash equivalents	<u>85,175</u>	<u>69,840</u>
Cash and cash equivalents at beginning of year	(60,353)	(130,193)
Cash and cash equivalents at the end of year	<u><u>24,822</u></u>	<u><u>(60,353)</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	24,822	254
Bank overdrafts	-	(60,607)
	<u><u>24,822</u></u>	<u><u>(60,353)</u></u>

The notes on pages 13 to 23 form part of these financial statements.

POCKIT LIMITED

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

1. General information

Pockit Limited is a private company limited by shares and registered in England and Wales. Registered number 07157877. Its registered head office is located at Basepoint Business Centre, Riverside Court, Beaufort Park Way, Chepstow, Wales, NP16 5UH. The principal place of business is Clearwater Yard, 35 Inverness Street, London Camden NW1 7HB.

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 management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

As described in the directors' report on page 3 - 4 the current economic environment is challenging for all businesses, and the company has reported an operating loss for the year like many start up technology businesses striving for scale and eventual profitability. The directors consider that the outlook presents significant challenges, however they are confident the company will come through the challenging environment in a strong position. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern had the company not embarked on a funding round. However, after making enquiries, and considering these uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Based on a successful Series B fundraise which had first close on 31st May 2020, the directors have a reasonable expectation that it will proceed to a successful final close by the end of the year, and the capital is to be deployed with the objective of becoming cashflow positive.

The directors are regularly assessing the impact of COVID-19 to ensure that the company remains agile in this uncertain environment.

2.3 Revenue

Turnover represents the value, net of value added tax and discounts, of services provided to customers and work carried out in respect of those services. These services include the provision of Prepaid Mastercards and the revenue relates to both the original card and the use of the card. Additional revenue is provided through cashback opportunities with a variety of third party retailers.

POCKIT LIMITED

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

2. Accounting policies (continued)**2.4 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Website costs	-	33 % straight line
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If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.5 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:

Fixtures and fittings	-	20% straight line
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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.

2.6 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.

POCKIT LIMITED

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

2. Accounting policies (continued)**2.7 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 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 company's cash management.

2.8 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.

2.9 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.

2.10 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date. As the business is loss making no tax charge is recognised.

Deferred tax/tax losses are not recognised in the Statement of financial position as future profitability is not certain although any losses can be carried forward for 7 years.

2.11 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives estimated to be 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

POCKIT LIMITED

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

3. Turnover

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

	2018 £	2017 £
Revenue	<u>1,890,669</u>	<u>1,091,472</u>

All turnover arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	-	40
Other operating lease rentals	<u>363,196</u>	<u>237,184</u>

5. Auditor's remuneration

Fees payable to the company's auditor for the audit of the company's annual financial statements totalled £35,000 (2017: £25,000). Other fees amounted to £2,000 (2017: £29,000).

6. Employees

	2018 £	2017 £
Wages and salaries	1,453,844	1,401,967
Social security costs	181,155	157,080
	<u>1,634,999</u>	<u>1,559,047</u>

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

	2018 No.	2017 No.
Employees	<u>45</u>	<u>45</u>

POCKIT LIMITED

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

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	<u>162,152</u>	<u>163,333</u>

8. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable and similar expenses	<u>215,400</u>	<u>88,130</u>

9. Other income

	2018 £	2017 £
Other income	<u>65,818</u>	<u>16,995</u>

Other income relates to a sub-lease which expired in June 2019.

POCKIT LIMITED

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

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on losses for the year	(255,423)	(145,770)
Total current tax	<u>(255,423)</u>	<u>(145,770)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss	<u>(255,423)</u>	<u>(145,770)</u>

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: 17%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(5,275,112)</u>	<u>(4,908,518)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 17%)	(953,741)	(809,667)
Effects of:		
Unused tax losses for which no deferred tax asset has been recognised	953,741	809,667
Research and development tax credit	(255,423)	(145,770)
Total tax charge for the year	<u>(255,423)</u>	<u>(145,770)</u>

POCKIT LIMITED

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

11. Intangible assets

	Website design and development £
Cost	
At 1 January 2018	854,493
Additions	739,831
Disposals	(35,284)
At 31 December 2018	<u>1,559,040</u>
Amortisation	
At 1 January 2018	346,053
Charge for the year	227,551
At 31 December 2018	<u>573,604</u>
Net book value	
At 31 December 2018	<u>985,436</u>
<i>At 31 December 2017</i>	<u><u>508,440</u></u>

POCKIT LIMITED

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

12. Tangible fixed assets

	Fixtures and fittings £
Cost or valuation	
At 1 January 2018	90,108
Additions	9,825
At 31 December 2018	<u>99,933</u>
Depreciation	
At 1 January 2018	31,877
Charge for the year on owned assets	9,956
At 31 December 2018	<u>41,833</u>
Net book value	
At 31 December 2018	<u>58,100</u>
At 31 December 2017	<u>58,231</u>

13. Debtors

	2018 £	2017 £
Trade debtors	19,089	28,189
VAT receivable	161,419	-
Other debtors	163,263	167,967
Prepayments and accrued income	72,847	362,890
	<u>416,618</u>	<u>559,046</u>

POCKIT LIMITED

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

14. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	24,822	254
Less: bank overdrafts	-	(60,607)
	<u>24,822</u>	<u>(60,353)</u>

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	-	60,607
Trade creditors	1,429,033	925,458
Other taxation and social security	136,363	72,819
Other creditors	22,562	1,208
Director loans	365,000	300,000
Accruals and deferred income	185,303	265,608
	<u>2,138,261</u>	<u>1,625,700</u>

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

	2018 £	2017 £
Convertible debt	<u>6,869,594</u>	<u>2,003,461</u>

The convertible loan notes were issued in September 2018 and November 2018. They are unsecured and subordinated in all respects to the rights of other creditors. No interest accrues on the principal amount of £6,869,594. The debt is convertible into shares upon completion of the company's next investment round. They are convertible at a discount to the share price paid by the new investor.

If the company enters into administration or if a winding up order is passed, the company shall pay the note holders twice the principal amount of the Notes which are to be redeemed.

The balance at 31 December 2018 is measured at fair value.

POCKIT LIMITED

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

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
531,120 (2017: 531,120) Ordinary shares of £1 each	531,120	531,120
259,338 (2017: 259,338) Series A shares of £1 each	259,338	259,338
	<u>790,458</u>	<u>790,458</u>

18. Reserves**Share premium account**

	2018 £	2017 £
Share premium account	<u>7,708,549</u>	<u>7,708,549</u>

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

Profit and loss account

	2018 £	2017 £
Profit and loss account	<u>5,019,690</u>	<u>4,762,748</u>

This reserve records the retained earnings of the company.

19. Commitments under operating leases

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

	2018 £	2017 £
Within one year	12,134	12,134
Between two and five years	29,868	42,003
	<u>42,002</u>	<u>54,137</u>

POCKIT LIMITED

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

20. Related party transactions

Pockit Ltd had the following related party transactions:

Name	Relationship	Nature of Transaction
Danny Jatania	Father of Directors	Convertible loan notes and loan
Virraj Jatania	Director	Loan to Company
DRJ Group	Shareholder	Loan to Company

Below are the related party transactions during the year:

	2018
	£
Danny Jatania	875,000
Virraj Jatania	73,327
DRJ Group	250,000
	<hr/> 1,198,327 <hr/>

21. Post balance sheet events

Pockit Ltd has completed a Series B capital raise.

Following the outbreak of COVID-19 and the subsequent lockdown, the company took immediate steps to introduce working from home arrangements. Due to the digital nature of the company, there has been minimal impact on operations. The company is regularly monitoring KPI's in order to assess and manage the potential impact. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance event.

There was a brief interruption in services for 3 days in June 20 due to circumstances outside of Pockit Ltd control. The card issuer's operations were paused which affected a number of firms in the industry, including Pockit Ltd. As a result Pockit Ltd has accelerated its work to migrate its systems from the current incumbent to mitigate against any future disruption in operations.

22. Controlling party

In the opinion of the directors, there is no immediate or ultimate controlling party