



**Ixaris Systems Limited**  
FINANCIAL STATEMENTS

for the year ended  
31 December 2015

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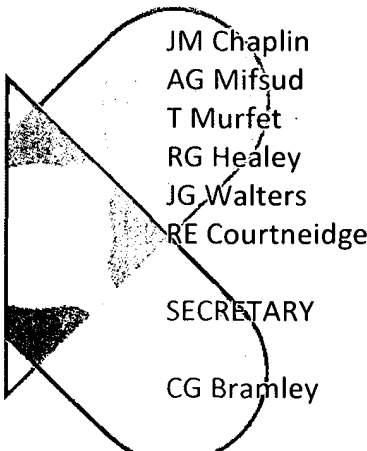
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COMPANIES HOUSE

Company Registration No. 4072405

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS



JM Chaplin	Chairman and non-Executive Director
AG Mifsud	Chief Executive Officer
T Murfet	Chief Technology Officer
RG Healey	Non-Executive Director
JG Walters	Non-Executive Director
RE Courtneidge	Non-Executive Director

### SECRETARY

CG Bramley

### REGISTERED OFFICE

10, Midford Place, London W1T 5AE

### AUDITOR

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

## DIRECTORS' REPORT

The directors submit their report and the consolidated financial statements of Ixaris Systems Limited for the year ended 31 December 2015.

### PRINCIPAL ACTIVITIES

Ixaris develops technology that facilitates payments innovation. Ixaris was the first payments company to offer virtual Visa accounts in Europe and continues to rely on this innovation as the core of its technology and solutions.

The group's principal activities in 2015 were delivering payment solutions to businesses and consumers in various geographic and market sectors to send, receive, spend or access funds with speed, cost-effectiveness and convenience, as well as creating the technology to make the delivery of such solutions easier and cheaper through greater re-use.

### RESEARCH AND DEVELOPMENT

The group invests heavily in research and development to stay at the cutting edge of payments technology and secure competitive advantage.

### DIVIDENDS

The directors do not recommend the payment of a dividend (2014: £Nil).

### POST BALANCE SHEET EVENTS

In March and April 2016 the company raised £4,362,750 via the issue of shares following the exercise of warrants.

### GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed 'Going Concern' on page 15 sets out certain factors relevant to the directors' consideration in reaching this assessment.

### DIRECTORS

The following directors have held office since 1 January 2015, unless otherwise stated:

JM Chaplin  
AG Mifsud  
RG Healey  
JG Walters  
RE Courtneidge  
KA Bonnici (resigned 26 January 2016)  
T Murfet (appointed 2 October 2015)

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The company currently has in place and has done for the whole of the year ended 31 December 2015, directors' and officers' liability insurance for the benefit of all directors of the company.

### AUDITOR

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated its willingness to continue in office.

**DIRECTORS' REPORT****STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they 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 it has been communicated to the auditor.

By order of the board

AG Mifsud  
Director

29/07/2016

## STRATEGIC REPORT for the year ended 31 December 2015

### BUSINESS REVIEW

Ixaris creates technology that makes it fast and easy to create perfect-fit payment solutions. Our mission is to enable everyone – consumers, small business, multinationals in established as well as emerging economies to benefit from payment solutions that work optimally for them.

During 2015, Ixaris Solutions, our turnkey payment solutions business, rationalised the area of focus to the most promising verticals: Travel Supplier Payments, in which it has established a repeatable sales and delivery operation and Insurance Supplier Payments, on the basis of an agreement to roll out a solution across the corporate base of a leading global travel assistance multinational, covering its worldwide operations spanning 32 subsidiaries.

The withdrawal from other markets (international payroll, incentives and disbursements) meant that the company forfeited revenue in favour of focus, and therefore comparison of 2015 annual revenue figure with the 2014 revenue is not like for like. Nevertheless, despite the loss of revenue from the withdrawal from these markets, Ixaris Solutions revenue grew from £2.12M in 2014 to £2.42M in 2015.

The focus was vindicated as in Q3 Ixaris Solutions inked a deal with the largest global distribution system provider worldwide for travel services, and focused much of the rest of the year on the implementation of this transformational deal for the company. Together with the continued ramp up of its existing travel agent customers, these deals provide significant momentum for accelerating revenue growth into 2016.

Ixaris Technologies, our payment technology business, continued to develop opportunities with early adopters in 2015, securing deals with both financial institutions and payment processors. In addition, it made significant investment in its delivery capability as it set off to deliver these technology licensing deals, as well as the 'open payments ecosystem' project funded by the EU Horizon2020 programme whose implementation kicked off in Q2 2015. Revenues for 2015 reached £572K (vs £102K in 2014, 461%) mainly from bespoke development and set-up charges at this point, with recurring revenues expected once the technology is used by clients to process transactions.

Ixaris' online consumer payments service EntroPay generated £3.7M of EBITDA, which continued to finance the investments in the Solutions and Technologies businesses. During 2015, continued improvements were made to EntroPay's user experience including an update to the user interface to ensure that the service can be accessed effectively on mobile devices and continuing optimization of user conversion and anti-fraud measures. EntroPay revenues grew to £7.75M in 2015 against £7.2M in 2014 (7.6%).

As a result of these developments, the group revenues grew from £9.45M in 2014 to £10.75M in 2015 (14%). Ixaris Solutions and Ixaris Technologies are together proving to be synergistic and have the potential to combine into a fast growth B2B payments business while EntroPay is now a profitable standalone online consumer payments business in its own right.

## STRATEGIC REPORT for the year ended 31 December 2015

### KEY PERFORMANCE INDICATORS

Overall, revenue increased by £1.3m (14%) over 2014, with all three business activities delivering healthy growth. EntroPay grew by 8%, whereas the Ixaris Solutions and Technologies businesses combined delivered an additional £800k of revenue (36% growth) over the previous year.

Gross profit margin increased by 3.5%, up from 57.8% in 2014 to 61.3% in 2015. This was mainly achieved from further economies in card acquiring and processing costs and a £496k increase in licensing revenue from Ixaris Technologies.

Other operating costs averaged at 69% of total revenue (2014: 68%).

### PRINCIPAL RISKS AND UNCERTAINTIES

The group relies on its technical capability and relationships with third party processors and banking partners to enable transactions and control the movement of funds across its payment platform, as well as its Payment Institution licence and approval by the Visa and MasterCard card schemes to operate its payment programmes. Any internal technical failure or interruption of service at any of our banking partners could affect our performance and result in transaction losses or lost business. Additionally, loss or impairment of the regulatory licence and card scheme support for its payment programmes could impact Ixaris' ability to continue to conduct its present business. The group has the necessary internal processes, agreements and contingency plans in place to monitor these risks and to deal with events that may impact its business.

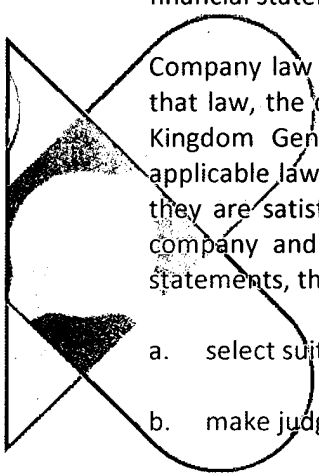
By order of the board

AG Mifsud  
Director

29/07/2016

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and 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). 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 group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IXARIS SYSTEMS LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102").

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.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2015 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.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

### Matters on which we are required to report by exception

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, 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.



PAUL NEWMAN (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London, EC4A 4AB

15/02/2016



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 December 2015

	Notes	2015 £	2014 £
TURNOVER	2	10,748,328	9,397,444
Cost of sales		(4,158,681)	(3,963,324)
Gross profit		<u>6,589,647</u>	<u>5,434,120</u>
Share-based payments	20	(8,676)	(1,628)
Other operating expenses (net)	3	(7,459,200)	(6,382,699)
Total operating expenses (net)		<u>(7,467,876)</u>	<u>(6,384,327)</u>
OPERATING LOSS		(878,229)	(950,207)
Interest receivable and similar income	4	31,304	22,548
Interest payable and similar charges	5	(164,273)	(160,972)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(1,011,198)	(1,088,631)
Taxation	8	<u>308,621</u>	<u>140,901</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(702,577)</u>	<u>(947,730)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## at 31 December 2015

Company Registration No. 4072405

	Notes	2015 £	2014 £
<b>FIXED ASSETS</b>			
Intangible assets	9	630,076	767,504
Tangible assets	10	283,914	306,210
		<u>913,990</u>	<u>1,073,714</u>
<b>CURRENT ASSETS</b>			
Debtors	12	1,704,492	2,281,961
Cash at bank and in hand	13	10,115,838	6,675,461
		<u>11,820,330</u>	<u>8,957,422</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	14	(11,117,240)	(6,188,061)
<b>NET CURRENT ASSETS</b>		<u>703,090</u>	<u>2,769,361</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,617,080</u>	<u>3,843,075</u>
<b>CREDITORS:</b>			
Amounts falling due after more than one year	15	-	(1,532,094)
<b>NET ASSETS</b>		<u>1,617,080</u>	<u>2,310,981</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,093	2,093
Share premium account	17	7,194,345	7,194,345
Profit and loss account	17	(5,579,358)	(4,885,457)
<b>SHAREHOLDERS' FUNDS</b>		<u>1,617,080</u>	<u>2,310,981</u>

The financial statements on pages 8 to 34 were approved by the board of directors and authorised for issue 29/07/2016 and are signed on its behalf by:




AG Mifsud  
Director

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2015**

Company Registration No. 4072405

	Notes	2015 £	2014 £
<b>FIXED ASSETS</b>			
Intangible assets	9	630,076	767,504
Tangible assets	10	24,417	29,025
Investments	11	17,762	17,762
		<u>672,255</u>	<u>814,291</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	12	1,597,877	1,947,407
Debtors - due after more than one year	12	1,520,767	1,936,740
Cash at bank and in hand	13	10,043,687	6,587,509
		<u>13,162,331</u>	<u>10,471,656</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	14	(10,891,293)	(5,766,109)
<b>NET CURRENT ASSETS</b>		<u>2,271,038</u>	<u>4,705,547</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,943,293</u>	<u>5,519,838</u>
<b>CREDITORS:</b>			
Amounts falling due after more than one year	15	-	(1,532,094)
<b>NET ASSETS</b>		<u>2,943,293</u>	<u>3,987,744</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	2,093	2,093
Share premium account	17	7,194,345	7,194,345
Profit and loss account	17	(4,253,145)	(3,208,694)
<b>SHAREHOLDERS' FUNDS</b>		<u>2,943,293</u>	<u>3,987,744</u>

The financial statements on pages 8 to 34 were approved by the board of directors and authorised for issue on 29\07\ 2016 and are signed on its behalf by:

  
AG Mifsud  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 31 December 2015

Company Registration No. 4072405

	Called up share capital	Share premium	Profit and Loss account	Total
	£	£	£	£
AT 1 JANUARY 2014	1,869	5,193,919	(3,939,355)	1,256,433
Loss for the year	-	-	(947,730)	(947,730)
Share based payment	-	-	1,628	1,628
Issue of shares	224	2,000,426	-	2,000,650
AT 31 DECEMBER 2014	2,093	7,194,345	(4,885,457)	2,310,981
Loss for the year	-	-	(702,577)	(702,577)
Share based payment	-	-	8,676	8,676
AT 31 DECEMBER 2015	2,093	7,194,345	(5,579,358)	1,617,080

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
at 31 December 2015

Company Registration No. 4072405

	Called up share capital	Share premium	Profit and Loss account	Total
	£	£	£	£
AT 1 JANUARY 2014	1,869	5,193,919	(2,861,512)	2,334,276
Loss for the year	-	-	(348,810)	(348,810)
Share based payment	-	-	1,628	1,628
Issue of shares	224	2,000,426	-	2,000,650
AT 31 DECEMBER 2014	2,093	7,194,345	(3,208,694)	3,987,744
Loss for the year	-	-	(1,053,127)	(1,053,127)
Share based payment	-	-	8,676	8,676
AT 31 DECEMBER 2015	2,093	7,194,345	(4,253,145)	(2,943,293)

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

	Notes	2015 £	2014 £
CASH GENERATED FROM OPERATIONS	21	3,340,484	1,706,059
Interest received		15,944	16,145
Interest paid		(3,844)	(160,968)
Tax received		308,621	140,901
NET CASH FROM OPERATING ACTIVITIES		<u>3,661,205</u>	<u>1,702,137</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(100,178)	(184,667)
Increase in intangible assets		(120,650)	(188,597)
NET CASH FROM INVESTING ACTIVITIES		<u>(220,828)</u>	<u>(373,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	2,000,650
Drawdown of loan		-	159,027
NET CASH FROM FINANCING ACTIVITIES		<u>-</u>	<u>2,159,677</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>3,440,377</u>	<u>3,488,550</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>6,675,461</u>	<u>3,186,911</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>10,115,838</u>	<u>6,675,461</u>

## COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2015

	Notes	2015 £	2014 £
CASH GENERATED FROM OPERATIONS	22	3,272,310	1,471,948
Interest received		13,594	11,565
Interest paid		(3,844)	(160,968)
Tax received		308,621	140,901
NET CASH FROM OPERATING ACTIVITIES		<u>3,590,681</u>	<u>1,463,446</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible assets		(13,853)	(8,326)
Increase in intangible assets		(120,650)	(188,597)
NET CASH FROM INVESTING ACTIVITIES		<u>(134,503)</u>	<u>(196,923)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	2,000,650
Drawdown of loan		-	159,027
NET CASH FROM FINANCING ACTIVITIES		<u>-</u>	<u>2,159,677</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>3,456,178</u>	<u>3,426,200</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>6,587,509</u>	<u>3,161,309</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>10,043,687</u>	<u>6,587,509</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **for the year ended 31 December 2015**

#### **COMPANY INFORMATION**

Ixaris Systems Limited ("The Company") is a limited company domiciled and incorporated in England and Wales. The registered office is 10 Midford Place, London, W1T 5AE.

The group consists of Ixaris Systems Limited and all of its subsidiaries.

The company's and group's principal activities are disclosed in the Director's report. The nature of the company's operations and the group's operations are to develop technology that facilitates payments innovation.

#### **BASIS OF ACCOUNTING**

These financial statements are the first financial statements of Ixaris Systems Limited prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements of Ixaris Systems Limited were previously prepared in accordance with UKGAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from those previously reported under UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention.

As permitted by S408 Companies Act 2006, the company has not presented its own profit and loss account.

#### **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate those of Ixaris Systems Limited and all of its subsidiary undertakings for the year. All financial statements are made up to 31 December 2015.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

#### **GOING CONCERN**

The directors have prepared and considered trading and cash flow forecasts which show that the group will be able to continue to trade and meet its liabilities as they fall due for at least the next 12 months from the date of approval of these financial statements. Additionally, the group's customers and suppliers were reviewed against external factors and potential dependencies. The group has a



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

considerably diversified customer base and suppliers across different geographic areas with a growing number of new uses for its services.

The group is presently seeking to accelerate its growth and build diversity into its portfolio through new product innovation and development. However, the plans for new product innovation and development are such that they can easily be scaled down and the group can rely on the current cash generative business to finance its research and development if necessary.

As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### INTANGIBLE ASSETS - RESEARCH AND DEVELOPMENT

Development expenditure for individual projects is deferred when its future recoverability can be foreseen with reasonable certainty. Provision is made for any impairment. The identifiable expenditure is then amortised over four years, being the period during which the benefit is expected to occur. All research and other development costs are written off as incurred.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Office equipment	over 3 to 4 years
Furniture and fittings	over 4 to 10 years
Air conditioning	over 6 years
Leasehold improvements	over 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

### IMPAIRMENTS OF FIXED ASSETS

At each reporting end date, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **for the year ended 31 December 2015**

amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **TURNOVER**

Turnover represents fees from transaction processing services which are recognised at the time services are rendered and amounts invoiced to sponsoring affiliates, both net of Value Added Tax. Turnover from transaction processing services is recognised either as a fee calculated as a percentage of funds processed or as a charge per transaction, pursuant to the respective consumer agreement.

#### **INVESTMENTS**

Long term investments are classified as fixed assets and stated at cost in the company balance sheet. Provision is made for any impairment in value.

#### **FOREIGN CURRENCIES**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

#### **GOVERNMENT GRANTS**

Government grants on capital expenditure are credited to a deferral account and are released to revenue by equal annual amounts over the expected useful life of the asset to which they relate. Grants of a revenue nature are credited to income in the period to which they relate.

#### **LEASED ASSETS AND OBLIGATIONS**

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

All other leases are “operating leases” and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term or, if shorter, the period ending when prevailing market rentals will become payable.

### SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based payments are issued to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments. Changes in fair value are recognised through the profit and loss account.

### TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or using other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the tax follows the transaction or event it relates to and is also charged or credited directly to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

### **FINANCIAL INSTRUMENTS**

#### **Financial assets**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

#### *Loans and receivables*

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### *Impairment of financial assets*

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

#### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

### **Financial liabilities**

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

### *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

### *Equity instruments*

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

### 1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. In the directors' opinion, there are no estimates or judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

### 2 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and loss on ordinary activities before taxation were all derived from its principal activity. All sales were made in the UK.

3	OTHER OPERATING EXPENSES (NET)	2015	2014
		£	£
	Administrative expenses	7,459,204	6,382,699
		<hr/>	<hr/>
4	INTEREST RECEIVABLE AND SIMILAR INCOME	2015	2014
		£	£
	Bank interest	15,944	16,145
	Other income	15,360	6,403
		<hr/>	<hr/>
		31,304	22,548
		<hr/>	<hr/>
5	INTEREST PAYABLE AND SIMILAR CHARGES	2015	2014
		£	£
	Interest on loans	164,273	160,972
		<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

6	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2015	2014
		£	£
	Loss on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Owned assets	119,447	130,736
	Leasehold land and buildings	3,027	4,855
	Loss on disposal of fixed assets	-	1,715
	Amortisation of intangible assets	258,078	238,520
	Operating lease rentals:		
	Land and buildings	283,779	322,638
	Exchange losses	65,896	19,264
	Auditor's remuneration:		
	Statutory audit of parent and consolidated financial statements	40,000	40,000
	Other services – relating to information technology	-	7,300
	Government grant income	(15,360)	(6,403)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 31 December 2015

7	EMPLOYEES	2015	2014
		£	£
	The average monthly number of persons (including directors) employed by the group during the year was:		
	Office and management	135	120
	Other	2	2
		<hr/>	<hr/>
	Staff costs for the above persons:		
	Wages and salaries	3,786,226	3,519,583
	Social security costs	322,844	334,198
	Cost of employee share schemes	8,676	1,628
		<hr/>	<hr/>
		4,117,746	3,855,409
		<hr/>	<hr/>
	Directors Remuneration		
	Emoluments	367,052	312,638
	Sums paid to third parties for directors' services	139,728	129,994
		<hr/>	<hr/>
		506,780	442,632
		<hr/>	<hr/>

During the year, sums paid or accrued to third parties for directors' services included £20,000 (2014: £20,000) to Foresight Venture Capital Funding Partners for the services of Mr Russell Healey, £79,300 (2014: £68,800) to CC Associates for the services of Mr John Chaplin, £18,000 (2014: £18,000) to JG Walters Ltd for the services of Mr Justin Walters, £18,000 (2014: £18,000) to Robert Courtneige and £4,428 (2014: £5,195) to WH Law for the services of Mrs Olga Finkel (a director of Ixaris Systems (Malta) Limited).

	2015	2014
	£	£
Highest paid director		
Emoluments	175,182	135,300
	<hr/>	<hr/>

The total remuneration of the directors, who are considered to be key management personnel of the group, was £527,023 (2014: £464,270).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 31 December 2015

8	TAXATION	2015 £	2014 £
	Domestic current year tax		
	Tax on results of the period		
	Adjustments in respect of previous periods	(308,621)	(140,901)
		<u>(308,621)</u>	<u>(140,901)</u>
	Tax on loss on ordinary activities	(308,621)	(140,901)
	Deferred tax		
	Origination and reversal of timing differences	-	-
		<u>-</u>	<u>-</u>
	Total tax credit	(308,621)	(140,901)
	Factors affecting tax credit for the period		
	Loss on ordinary activities before taxation	(1,011,198)	(1,088,631)
		<u>(1,011,198)</u>	<u>(1,088,631)</u>
	Loss on ordinary activities multiplied by the standard rate of corporation tax for small companies of 20% (2014: 20%)	(202,240)	(217,726)
	Effects of:		
	Non-taxable income	(164)	(164)
	Non-deductible expenses	(49,767)	121,102
	Depreciation in excess of capital allowances	822	2,000
	Short-term timing differences	10,100	26,869
	Enhanced tax deduction for R&D	(356,851)	(363,798)
	Other Adjustments	-	(2,257)
	Tax losses carried forward	598,100	433,974
	Adjustment to tax charge of previous periods	308,621	(140,901)
		<u>308,621</u>	<u>(140,901)</u>
	Current tax credit for the period	308,621	(140,901)

The adjustment in respect of previous periods relates to research and development tax credits claimable on expenditure incurred in the preceding financial year and received from HM Revenue and Customs.

The company has tax losses of approximately £4.9 million (2014: £4 million) which, subject to agreement with HM Revenue and Customs, are available to carry forward and offset against future profits of the same trade.

A potential deferred tax asset of approximately £971K (2014: £903K) in respect of these losses has not been recognised in these financial statements due to uncertainty as to the timing over future utilisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 31 December 2015

9	INTANGIBLE FIXED ASSETS	GROUP AND COMPANY	
		2015	2014
		£	£
	Development costs		
	1 January	1,271,544	1,082,947
	Additions	120,650	188,597
	31 December	1,392,194	1,271,544
	Amounts written off		
	1 January	504,040	265,520
	Charged in the year	258,078	238,520
	31 December	762,118	504,040
	Net book value		
	31 December	630,076	767,504

The intangible assets capitalised relate to the development of the group's payment platform.

10	TANGIBLE FIXED ASSETS	Office equipment	Furniture and fittings	Leasehold improvements	Total
		£	£	£	£
	GROUP				
	Cost				
	1 January 2015	786,176	168,607	24,277	979,060
	Additions	100,502	2,724	-	103,226
	Disposals	-	-	(3,048)	(3,048)
	31 December 2015	886,678	171,331	21,229	1,079,238
	Depreciation				
	1 January 2015	620,488	44,626	7,736	672,850
	Charged in the year	102,313	17,134	3,027	122,474
	31 December 2015	722,801	61,760	10,763	795,324
	Net book value				
	31 December 2015	163,877	109,571	10,466	283,914
	31 December 2014	165,688	123,981	16,541	306,210

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

10	TANGIBLE FIXED ASSETS <i>(Continued)</i>	Office equipment £
	COMPANY	
	Cost	
	1 January 2015	132,258
	Additions	13,853
	31 December 2015	146,111
	Depreciation	
	1 January 2015	103,233
	Charged in the year	18,461
	31 December 2015	121,694
	Net book value	
	31 December 2015	24,417
	31 December 2014	29,025

11	FIXED ASSET INVESTMENTS	2015 £	2014 £
	Cost and net book value:		
	1 January 2015 and 31 December 2015	17,762	17,762

The company holds more than 20% of the equity of the following subsidiary undertakings:

	Class of holding	% holding	Nature of business	Country of incorporation
Usentric Holdings Limited	Ordinary	100%	Holding company	Malta
Ixaris Systems (Malta) Limited (held by Usentric Holdings Limited)	Ordinary	100%	Computer software development	Malta
Ixaris Solutions Limited	Ordinary	100%	Dormant	United Kingdom
Ixaris Technologies Limited	Ordinary	100%	Dormant	United Kingdom

The company also holds 10,000 cumulative redeemable preference shares in Ixaris Systems (Malta) Limited, being 100% of the issued preference shares.

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £1,053,127 (2014: £348,810 loss).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

12	DEBTORS	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
	Due within one year:				
	Trade debtors	135,843	129,840	126,906	129,840
	Other debtors	1,206,670	1,793,744	1,165,868	1,519,705
	Prepayments and accrued income	361,979	358,377	305,103	297,862
		<u>1,704,492</u>	<u>2,281,961</u>	<u>1,597,877</u>	<u>1,947,407</u>
	Due after more than one year:				
	Amounts owed by group undertakings	-	-	1,520,767	1,936,740
		<u>1,704,492</u>	<u>2,281,961</u>	<u>3,118,644</u>	<u>3,884,147</u>

Other debtors include amounts receivable from banking partners in respect of funds held in float accounts in anticipation of loading of cards (e-money) by clients.

## 13 CASH AT BANK AND IN HAND

Cash at bank and in hand includes restricted cash of £7.95 million (2014: £3.93 million) represented by bank accounts which are segregated from the company's or group's own operating funds. £7.5 million (2014: £3.5 million) of these balances are funds held in designated client accounts with banks which, together with amounts receivable from banking partners (see note 12), are maintained at a level to fully cover amounts owed to the group's clients.

14	CREDITORS: Amounts falling due within one year	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
	Loan facility	1,692,523	-	1,692,523	-
	Trade creditors	707,942	817,441	590,553	523,886
	Other creditors	318,515	-	318,515	-
	Cardholder balances	7,313,418	4,725,016	7,313,418	4,725,016
	Accruals and deferred income	1,084,842	645,604	976,284	517,207
		<u>11,117,240</u>	<u>6,188,061</u>	<u>10,891,293</u>	<u>5,766,109</u>

Client balances comprise amounts owed to customers and merchants in respect of funds held within designated client accounts with banks and banking partners. Equivalent amounts to fully cover these liabilities are held within cash at bank and in hand (see note 13) and/or as funds receivable from banking partners, (reported within 'other debtors' in note 12).

The above loan facility is unsecured and repayable in one bullet repayment in 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

15	CREDITORS: Amounts falling due after more than one year	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
	Loan facility	-	1,532,094	-	1,532,094
16	FINANCIAL INSTRUMENTS	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
	Carrying amount of financial assets:				
	Debt instruments measured at amortised cost	1,483,173	2,041,416	2,954,201	3,704,117
		1,483,173	2,041,416	2,954,201	3,704,117
	Carrying amount of financial liabilities:				
	Measured at amortised cost	10,799,861	7,618,159	10,573,914	7,196,207
		10,799,861	7,618,159	10,573,914	7,196,207
17	SHARE CAPITAL AND RESERVES			2015	2014
				£	£
	2,000,000 Ordinary shares of £0.001 each			2,000	2,000
	750,000 A Ordinary shares of £0.001 each			750	750
				2,750	2,750
	Allotted, issued and fully paid:				
	1,387,958 Ordinary shares of £0.001 each			1,388	1,388
	704,809 A Ordinary shares of £0.001 each			705	705
				2,093	2,093

The Ordinary shares and A Ordinary shares rank pari passu except on a return of assets on a liquidation or capital reduction or similar, or on a sale of the company when the assets of the company after the payment of its liabilities are distributed as follows:

- First to repay paid up capital and share premium to the A Ordinary shareholders and 0.0001p per share to the Ordinary shareholders;
- Secondly the next £1 million to be distributed amongst the shareholders in proportion to the paid up capital only for the Ordinary shareholders and 0.00000001p per share only for the A Ordinary shareholders;
- Thirdly any balance on a pari passu basis in proportion to paid up capital only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 31 December 2015

### 17 SHARE CAPITAL (Continued)

#### Warrants

The company has executed warrant instruments granting the holders the right to subscribe for warrant shares as follows:

Date of grant	Exercise price per share	Number of warrants issued	Number of warrants outstanding at 31.12.15	Date by which warrants can be exercised
10-06-2010	£4.54	45,000	45,000	10-06-2020
31-08-2011	£10.00	450,000	450,000	31-08-2016
01-02-2012	£10.00	48,600	48,600	01-02-2017
		<u>543,600</u>	<u>543,600</u>	

#### Share Options (approved scheme)

Date of grant	Exercise price per share	Number of share options in issue at 31.12.14	Number of share options exercisable at 31.12.14	Date by which options can be exercised
04-03-2010	£0.84	16,200	16,200	04-03-2020
12-08-2010	£3.00	4,872	4,872	12-08-2020
15-12-2010	£3.00	4,000	4,000	15-12-2020
14-01-2011	£3.00	6,500	6,500	14-01-2021
04-02-2011	£4.54	2,500	2,500	04-02-2021
24-02-2011	£3.00	43,200	43,200	24-02-2021
24-02-2011	£10.00	5,000	5,000	24-02-2021
01-03-2011	£3.00	2,500	2,500	01-03-2021
01-03-2011	£10.00	10,623	10,623	01-03-2021
09-03-2011	£0.84	40,000	40,000	09-03-2021
01-03-2012	£10.00	13,500	13,500	01-03-2022
31-01-2014	£10.00	24,000	24,000	31-01-2024
		<u>172,895</u>	<u>172,895</u>	

#### Share premium account

The share premium reserve represents the consideration received for shares issued above their nominal value net of transaction costs.

#### Profit and loss reserve

The profit and loss accounts reserve represents the cumulative profit and loss net of distributions to owners.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

#### 18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the group and company had annual commitments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Land and buildings:				
Within one year	180,096	291,302	98,794	210,000
During the second to fifth year	1,082,631	325,208	757,423	-
After more than five years	491,876	568,812	-	-
	<u>1,754,603</u>	<u>1,185,322</u>	<u>856,217</u>	<u>210,000</u>

#### 19 RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption from related party disclosures for transactions with parties that are controlled undertakings that are considered in the financial statement.

At the year end, £1,692,523 (2014: £1,532,094) was owed to certain shareholders. Interest payable during the year amounted to £160,480 (2014: £159,027) and the cumulative accrued interest outstanding at the year-end amounted to £584,573 (2014: £424,093).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

#### 20 SHARE-BASED PAYMENTS

The share based payment reserve holds the equity element of the following share options and warrants transactions adjusted for transfer on exercise, cancellation or expiry of options.

##### Share Options

The company plan provides for a grant price equal to the HMRC agreed market price of the company shares on the date of grant. The vesting period is generally 1 to 2 years. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the company before the options vest.

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	172,895	4.47	163,409	4.06
Granted during the year	-	-	24,000	10.00
Forfeited during the year	-	-	(12,633)	9.83
Exercised during the year	-	-	(1,881)	3.00
Outstanding at 31 December	172,895	4.47	172,895	4.47
Exercisable at 31 December	172,895	4.47	163,895	2.99

No options were exercised during the year (2014: 1,881). The weighted average share price at the date of exercise for share options exercised during the year was £nil (2014: £3). The options outstanding at 31 December 2015 had a weighted average exercise price of £4.47 (2014: £4.47) and remaining contractual life of five years.

No options were granted during the year (2014: 24,000). The weighted average fair value of options granted in the year using the Black-Scholes option pricing model was £nil (2014: £0.86). The inputs into the Black-Scholes model are as follows:

	2015	2014
Weighted average share price	-	£3.11
Weighted average exercise price	-	£10.00
Expected volatility	-	46%
Expected life	-	10 years
Risk free rate	-	0.51%
Expected dividends	-	Nil



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

#### 20 SHARE-BASED PAYMENTS (Continued)

##### Warrants

	2015		2014	
	Number of	Weighted	Number of	Weighted
	warrants	average	warrants	average
		exercise price		exercise price
Outstanding at 1 January	498,600	10.00	498,600	10.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	498,600	10.00	498,600	10.00
Exercisable at 31 December	498,600	10.00	498,600	10.00

The warrants outstanding at 31 December 2015 had a weighted average exercise price of £10.00 (2014: £10.00) and remaining contractual life as stipulated below.

No warrants were granted during the year. Warrants are valued using the Black-Scholes option pricing model.

All warrants were exercised post year end at an exercise price of £8.75 (see note 23).

Due to the unlisted nature of the entities operations the expected volatility was determined by calculating the historical volatility of a listed competitor's share price over the previous 5 financial years. The expected life used in the model was derived from the supporting contractual agreements of either warrant or option agreements. The risk free coupon rate was calculated from the average 3-month LIBOR Government Gilts annualised.

During 2015 the company recognised total share-based payment expenses of £8,676 (2014: £1,628) of which all related to the above equity-settled share-based payment transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### for the year ended 31 December 2015

#### 21 GROUP RECONCILIATION OF LOSS FOR THE FINANCIAL YEAR TO NET CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Loss for the financial year	(702,577)	(947,730)
Adjustments for:		
Depreciation of tangible assets	122,474	135,591
Interest receivable	(15,944)	(16,145)
Interest payable	164,273	160,972
Amortisation of intangible assets	258,078	238,520
Loss on disposal of tangible fixed assets	-	1,716
Share-based payments	8,676	1,628
Taxation	(308,621)	(140,901)
Operating cash flows before movements in working capital:		
Decrease in debtors	577,469	1,453,990
Increase in creditors	3,236,656	818,418
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3,340,484</b>	<b>1,706,059</b>

#### 22 COMPANY RECONCILIATION OF LOSS FOR THE FINANCIAL YEAR TO NET CASH GENERATED FROM OPERATIONS

	2015	2014
	£	£
Loss for the financial year	(1,053,127)	(348,810)
Adjustments for:		
Depreciation of tangible assets	18,461	19,110
Interest receivable	(13,594)	(11,565)
Interest payable	164,273	160,972
Amortisation of intangible assets	258,078	238,520
Loss on disposal of tangible fixed assets	-	739
Share-based payments	8,676	1,628
Taxation	(308,621)	(140,901)
Operating cash flows before movements in working capital:		
Decrease in debtors	765,503	751,743
Increase in creditors	3,432,661	800,512
<b>CASH GENERATED FROM OPERATIONS</b>	<b>3,272,310</b>	<b>1,471,948</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

### 23 POST BALANCE SHEET EVENTS

In March and April 2016 the company raised £4,362,750 via the issue of shares following the exercise of warrants.

### 24 FIRST TIME ADOPTION OF FRS102

Under FRS 102, the Consolidated Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Consolidated Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing. The adoption of FRS 102 has not resulted in material changes to the account balances and no restatement of prior year balances has been necessary.