

Company Registration No. 04072405 (England and Wales)

ENTROPAY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018



ENTROPAY LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | A M Brown G W Von Brevern M A Spiteri I Balchin |
| Secretary | G W Von Brevern |
| Company number | 04072405 |
| Registered office | 2 Stephen Street London W1T 1AN |
| Auditor | RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom |

ENTROPAY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fair review of the business

The results for the year are set out on page 7.

Until July 2018, compared to previous year the business improved, with turnover ahead by 7% growth and gross margin growth by 9%. In August 2018 some services started to be suspended until ultimately all services were suspended in October 2018. This change was due to changes by Visa on the passive issuance guidelines: the passive issuance outside of the EU was violating the new terms set out by Visa operating guidelines, and almost 70% of Entropay business was outside of the EU. This led the business to decide to discontinue the operations of Entropay consumer program.

Whilst the operations were completely ceased in October 2018, revenue will continue to be generated by Entropay consumer program in the form of dormancy and breakage due to pending unclaimed funds by cardholders. There are £2.7m outstanding as unclaimed funds, whereby £2.2m are forecast to be claimed as dormancy in 2019.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Actions have been identified to monitor and mitigate these risks.

The company depends on a team of trained and motivated staff to help deliver value to its customers from its products, solutions and services. It continues to work on an ongoing basis to improve the recruitment training and retention of staff.

The company 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 license and approval by the Visa and MasterCard card schemes to operate its payment programmes. Any serious internal technical failure or interruption of service by partners could affect performance and result in lost business. The company 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.

The directors ensure that adequate resources are available to meet the funding requirements for the company on a day to day basis and that financial risks from the company's underlying operations are effectively identified and managed through regular reporting of management information.

Key Performance Indicators

The business has identified a number of key performance indicators by which it measures its success in achieving its targets as agreed with the Board of directors. These targets are shared with key managers within the business and reported on a monthly basis.

Turnover for the year ended 31 December 2018 decreased by 23% against the previous year due to the suspension of service in H2 of 2018.

Gross margin for year ended 31 December 2018 decreased by 23% as a result of turnover decline.

Gross margin % for year ended 31 December 2018 remained consistent throughout the year at around 57bps.

Own cash held at the year ended 31 December 2018 was £1.45 million. This result was in line with the targets agreed with the Board after the decision taken to suspend all consumer business on the Entropay platform.

ENTROPAY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

The business model for Entropay has changed in 2019 due to the changes that happened in 2018. Entropay is the EMI licensed entity of the Ixaris group, and hence it will continue to play a vital role in the treasury management of funds of the Ixaris group.

On behalf of the board



Iain Balchin

Date: 10/9/19.

ENTROPAY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

EntroPay Limited is a licensed e-money institution. It used to provide virtual cards to European consumers looking to pay and send money as fast as possible. Entropay was the fastest way to send and receive money online for consumers.

As from mid-2019 Entropay became a Principal member of the card networks and would be trading going forward as the Bin sponsor of the Ixaris group, mainly to Ixaris Solutions Limited.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|-----------------|-----------------------------|
| A M Brown | (Appointed 2 August 2018) |
| A G Mifsud | (Resigned 4 February 2019) |
| EH Menzies | (Resigned 18 June 2018) |
| G W Von Brevern | (Appointed 16 October 2018) |
| M A Spiteri | |
| I Balchin | (Appointed 8 July 2019) |
| C G Bramley | (Resigned 16 October 2018) |

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

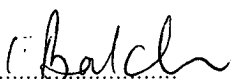
Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


Iain Balchin

Date:

16/9/19

ENTROPAY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 company and of the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTROPAY LIMITED

Opinion

We have audited the financial statements of EntroPay 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 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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 and the directors' report.

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

- adequate accounting records have not been kept, 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

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters

The company was exempt from audit in the year to 31 December 2017 and consequently the corresponding figures are unaudited.

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.



Paul Newman BSc ACA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom

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ENTROPAY LIMITED


STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | | 2018 | 2017 |
|--|----------|--------------|--------------------|
| | Notes | £'000 | unaudited £'000 |
| Turnover | 3 | 11,053 | 14,422 |
| Cost of sales | | (4,729) | (6,249) |
| Gross profit | | 6,324 | 8,173 |
| Administrative expenses | | (4,235) | (848) |
| Other operating expenses | | - | (1,274) |
| Operating profit | 6 | 2,089 | 6,051 |
| Interest receivable and similar income | 7 | 10 | 4 |
| Interest payable and similar expenses | 8 | (2) | (14) |
| Profit before taxation | | 2,097 | 6,041 |
| Tax on profit | 9 | 112 | (112) |
| Profit for the financial year | | 2,209 | 5,929 |

ENTROPAY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

| | | 2018 | | 2017 unaudited | |
|---|-------|---------------|---------------|-------------------|---------------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Tangible assets | 10 | | 11 | | 10 |
| Investments | 11 | | - | | 17 |
| | | | <u>11</u> | | <u>27</u> |
| Current assets | | | | | |
| Debtors | 13 | 20,555 | | 16,100 | |
| Cash at bank and in hand | | 9,992 | | 13,760 | |
| | | <u>30,547</u> | | <u>29,860</u> | |
| Creditors: amounts falling due within one year | 14 | (10,427) | | (11,965) | |
| Net current assets | | | <u>20,120</u> | | <u>17,895</u> |
| Total assets less current liabilities | | | <u>20,131</u> | | <u>17,922</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 3 | | 3 |
| Share premium account | 17 | | 11,752 | | 11,752 |
| Profit and loss reserves | 17 | | 8,376 | | 6,167 |
| Total equity | | | <u>20,131</u> | | <u>17,922</u> |

The financial statements were approved by the board of directors and authorised for issue on 16/09/19 and are signed on its behalf by:


Iain Balchin
 Director

ENTROPAY LIMITED

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

| | Share capital £'000 | Share premium account £'000 | Profit and loss reserves £'000 | Total £'000 |
|--|---------------------------|--------------------------------------|---|----------------|
| Balance at 1 January 2017 | 3 | 11,752 | 238 | 11,993 |
| Year ended 31 December 2017: | | | | |
| Profit and total comprehensive income for the year | - | - | 5,929 | 5,929 |
| Balance at 31 December 2017 | 3 | 11,752 | 6,167 | 17,922 |
| Year ended 31 December 2018: | | | | |
| Profit and total comprehensive income for the year | - | - | 2,209 | 2,209 |
| Balance at 31 December 2018 | 3 | 11,752 | 8,376 | 20,131 |

ENTROPAY LIMITED

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

1 Accounting policies

Company information

EntroPay Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 2 Stephen Street, London, W1T 1AN.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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 £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

EntroPay Limited is a wholly owned subsidiary of Ixaris Group Holdings Limited, and the results of EntroPay Limited are included in the consolidated financial statements of Ixaris Group Holdings Limited which are available from Companies House, Crown Way, Cardiff CF14 3UZ.

Going concern

The company's trading and cash flow forecasts show that it has adequate financial resources to continue to operate for the foreseeable future, is financially sound and is able to meet its liabilities as they fall due for at least the next 12 months from the date of approval of these financial statements. The going concern basis is therefore considered appropriate for the preparation of the financial statements.

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Turnover

Turnover is recognised as the consideration received or receivable for software processing services, software licensing and provision of professionals services; it is recognised at the time the services are rendered and shown net of VAT.

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 recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------|---------------------------------|
| Office equipment | straight line over 3 to 4 years |
|------------------|---------------------------------|

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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 company 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash at bank and in hand.

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Financial instruments

The company 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 instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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 and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited 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 the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) 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.

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Carrying value of amounts owed by group undertakings

The directors have reviewed the carrying value of the company's initial investment in its subsidiary undertakings including subsequent funding towards development costs and working capital. Based on forecasted trading results and cash flow projections, they are satisfied that the carrying value of loans made to these subsidiary undertakings will be recoverable in the foreseeable future.

Based on the above the directors have concluded that no material provision for impairment is required at the balance sheet date.

3 Turnover and other revenue

The company's turnover and profit/(loss) on ordinary activities before taxation were all derived from its principal activity. All turnover originates from the UK.

| | 2018 £'000 | 2017 £'000 |
|----------------------|-------------------|-------------------|
| Other revenue | | |
| Interest income | 10 | 4 |
| | <u> </u> | <u> </u> |

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2018 Number | 2017 Number |
|----------------------------|-------------------|-------------------|
| Sales and marketing | 4 | - |
| Administration and support | 2 | - |
| | <u> </u> | <u> </u> |
| | 6 | - |
| | <u> </u> | <u> </u> |

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Employees (Continued)

Their aggregate remuneration comprised:

| | 2018 £'000 | 2017 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 784 | 256 |
| Social security costs | 123 | - |
| Pension costs | 40 | - |
| | <u>947</u> | <u>256</u> |

5 Directors' remuneration

| | 2018 £'000 | 2017 £'000 |
|--------------------------------------|---------------|---------------|
| Remuneration for qualifying services | <u>78</u> | <u>66</u> |

6 Operating profit

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (46) | (88) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 11 | 48 |
| Depreciation of owned tangible fixed assets | 6 | 3 |
| Operating lease charges | <u>59</u> | <u>-</u> |

7 Interest receivable and similar income

| | 2018 £'000 | 2017 £'000 |
|---------------------------|---------------|---------------|
| Interest income | | |
| Interest on bank deposits | <u>10</u> | <u>4</u> |

8 Interest payable and similar expenses

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Other interest on financial liabilities | - | 13 |
| Other interest | <u>2</u> | <u>1</u> |
| | <u>2</u> | <u>14</u> |

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Current tax | | |
| Adjustments in respect of prior periods | (112) | 112 |

The total tax (credit)/charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Profit before taxation | 2,097 | 6,041 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) | 398 | 1,163 |
| Tax effect of expenses that are not deductible in determining taxable profit | 36 | 3 |
| Change in unrecognised deferred tax assets | (8) | (4) |
| Adjustments in respect of prior years | (112) | - |
| Group relief | (352) | (845) |
| Research and development tax credit | (74) | - |
| Tax relief on share options | - | (205) |
| Taxation (credit)/charge for the year | (112) | 112 |

10 Tangible fixed assets

| | Office equipment £'000 |
|------------------------------------|------------------------------|
| Cost | |
| At 1 January 2018 | 44 |
| Additions | 7 |
| At 31 December 2018 | 51 |
| Depreciation and impairment | |
| At 1 January 2018 | 34 |
| Depreciation charged in the year | 6 |
| At 31 December 2018 | 40 |
| Carrying amount | |
| At 31 December 2018 | 11 |
| At 31 December 2017 | 10 |

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Fixed asset investments

| | Notes | 2018 £'000 | 2017 £'000 |
|-----------------------------|-------|---------------|---------------|
| Investments in subsidiaries | 12 | - | 17 |

Movements in fixed asset investments

| | Shares in group undertakings £'000 |
|--------------------------|---|
| Cost or valuation | |
| At 1 January 2018 | 17 |
| Disposals | (17) |
| At 31 December 2018 | - |
| Carrying amount | |
| At 31 December 2018 | - |
| At 31 December 2017 | 17 |

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct Indirect |
|------------------------------------|----------------------|----------------------|-------------------------|---------------------------|
| EntroPay Services Malta Limited | Malta* | Holding company | ordinary | 100.00 |
| EntroPay Services Limited | Malta* | Software development | ordinary | 100.00 |

*The Penthouse, Suite 1, Capital Business Centre, Triq Taz-Zwejt, San Gwann, Malta

13 Debtors

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Trade debtors | 9 | 134 |
| Amounts owed by group undertakings | 20,489 | 13,660 |
| Other debtors | 35 | 2,263 |
| Prepayments and accrued income | 22 | 43 |
| | <u>20,555</u> | <u>16,100</u> |

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Creditors: amounts falling due within one year

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 116 | 370 |
| Amounts owed to group undertakings | 2,321 | - |
| Other creditors | 7,784 | 11,355 |
| Accruals and deferred income | 206 | 240 |
| | <u>10,427</u> | <u>11,965</u> |

Included within other creditors are amounts owed to cardholders totalling £7.7m (2017: £10.8m), which 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 and/or as funds receivable from banking partners, reported within 'other debtors' in note 13.

15 Retirement benefit schemes

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>40</u> | <u>-</u> |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

16 Share capital

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 1,950,630 Ordinary shares of 0.1p each | 2 | 2 |
| 704,849 A Ordinary shares of 0.1p each | <u>1</u> | <u>1</u> |
| | <u>3</u> | <u>3</u> |

The Ordinary and Ordinary A shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Ordinary B shares rank in all aspects as equal to the Ordinary shares, with the exception that on a show of hands every holder of B Ordinary shares who (being an individual) is present in person or (being a corporation) is present by a representative shall have 0.999 votes.

ENTROPAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

17 Reserves

Share premium

The share premium represents the amount received on the issue of shares in excess of their par value.

Profit and loss reserves

The profit and loss reserves represent the cumulative profit and loss net of distributions to owners.

18 Related party disclosures

The company has taken advantage of the exemption under FRS102 Section 33 'Related Party Transactions' from disclosing transactions with its parent and fellow group companies.

19 Ultimate controlling party

The immediate and ultimate parent undertaking is Ixaris Group Holdings Limited, a company incorporated in the UK. The consolidated financial statements for Ixaris Group Holdings Limited are available from its registered office, 2 Stephen Street, Fitzrovia, London W1T 1AN.

The ultimate controlling party is R Koch by virtue of holding the majority of voting rights in the ultimate parent company.