

Company Registration No. 10519681 (England and Wales)

**IXARIS GROUP HOLDINGS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2017**

THURSDAY



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# **IXARIS GROUP HOLDINGS LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	R G Healey A G Mifsud D V J Sear A M Brown J L A Cary
<b>Secretary</b>	C G Bramley
<b>Company number</b>	10519681
<b>Registered office</b>	2 Stephen Street London W1T 1AN
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

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# **IXARIS GROUP HOLDINGS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present the strategic report for the year ended 31 December 2017.

#### **Fair review of the business**

The results of the group are set out in the consolidated statement of comprehensive income on page 8 of the Financial Statements. The group made a profit before tax for the year of £2.8million (2016: Loss before tax of £2.1million). The consolidated statement of financial position on page 9 shows the group's financial position.

The group had a revenue of £22.5million (2016: £13.2million) and an operating profit of £2.4million (2016: Operating loss of £2.0million). As a result of previous years investment, 2017 saw the group add significant further revenue from both existing and new customers in both B2B and B2C markets with the technology platforms comfortably managing the additional transaction volumes. Within a good cost control environment, the group nevertheless continued to invest in its people, solutions and infrastructure such that the directors believe this result together with continuing sales and marketing investment will provide a solid basis for generating revenue growth opportunities in the future.

#### **Future developments**

The group is well placed to continue delivery of its products, solutions and services to existing and new customers and markets which unlock a wide range of strategic and commercial possibilities thereby allowing forward thinking customers to realise their full potential and optimize their trading performance.

#### **Principal risks and uncertainties**

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

The group 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 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 license and approval by the 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 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.

The directors ensure that adequate resources are available to meet the funding requirements for the group on a day to day basis and that financial risks from the group'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 2017 increased 70% year on year due to the ongoing success of the group's solutions worldwide in both B2B and B2C markets.
- *Gross margin* for year ended 31 December 2017 improved by 59% as a result of revenue growth.
- *Own cash* held at the year ended 31 December 2017 was £4.7 million. This result was in line with the targets agreed with the Board.

## **IXARIS GROUP HOLDINGS LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **Financial risk management**

The directors ensure that adequate resources are available to meet the funding requirements for the group on a day to day basis, and that financial risks arising from the group's underlying operations are effectively identified and managed through its dedicated Financial Operations team and regular reporting of management information. The directors consider that the group does not have any material exposure to price risk in respect of credit risk and that its exposure to foreign exchange risk is appropriately managed.

On behalf of the board



.....  
A G Mifsud

Director 7th September 2018

Date: .....

# **IXARIS GROUP HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their annual report and financial statements for the year ended 31 December 2017.

The parent company was incorporated on 9 December 2016 and acquired 100% of the share capital of EntroPay Limited on 23 May 2017 following a group reorganisation. Due to the use of merger accounting, the parent company accounts cover the period from 9 December 2016 to 31 December 2017, with no comparative period. Meanwhile, the consolidated accounts cover the year from 1 January 2017 to 31 December 2017, with the comparatives covering the year from 1 January 2016 to 31 December 2016.

#### **Principal activities**

The group's principal activities are the delivery of payment solutions to businesses and consumers in a range of geographic and market sectors to send, receive, spend or access funds with speed, cost-effectiveness and convenience. The group also develops the technology to make the delivery of such solutions easier and economical through greater re-use and thus facilitates payments innovation.

The principal activity of the parent company is that of a holding company.

#### **Directors**

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

J M Chaplin	(Resigned 30 April 2017)
R E Courtneidge	(Resigned 28 February 2018)
R G Healey	
A G Mifsud	
T Murfet	(Resigned 28 February 2018)
K Hague	(Resigned 15 April 2018)
D V J Sear	(Appointed 15 June 2017)
A M Brown	(Appointed 16 July 2018)
J L A Cary	(Appointed 16 July 2018)

Unless stated otherwise, all directors were appointed on the company's incorporation date of 9 December 2016.

#### **Results and dividends**

The results for the year are set out on page 8.

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

#### **Qualifying third party indemnity provisions**

The group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Research and development**

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

#### **Auditor**

RSM UK Audit LLP, Chartered Accountants, were appointed as auditor to the group and have indicated their willingness to continue in office.

## **IXARIS GROUP HOLDINGS LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **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.

#### **Going concern**

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

#### **Strategic report**

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

On behalf of the board



.....  
A G Mifsud  
Director

Date: 7th September 2018  
.....

## **IXARIS GROUP HOLDINGS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 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 GROUP HOLDINGS LIMITED**

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### **Opinion**

We have audited the financial statements of Ixaris Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **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 our 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 IXARIS GROUP HOLDINGS LIMITED (CONTINUED)**

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **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.

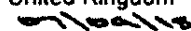
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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



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



# IXARIS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	22,486	13,204
Cost of sales		(10,487)	(5,648)
<b>Gross profit</b>		<b>11,999</b>	<b>7,556</b>
Administrative expenses		(9,562)	(9,605)
<b>Operating profit/(loss)</b>	<b>6</b>	<b>2,437</b>	<b>(2,049)</b>
Interest receivable and similar income	8	8	26
Interest payable and similar expenses	9	(16)	(39)
<b>Profit/(loss) before taxation</b>		<b>2,429</b>	<b>(2,062)</b>
Tax on profit/(loss)	10	598	431
<b>Profit/(loss) for the financial year</b>		<b>3,027</b>	<b>(1,631)</b>

Profit/(loss) for the financial year is all attributable to the owners of the parent company

Total comprehensive income for the year is all attributable to the owners of the parent company

**IXARIS GROUP HOLDINGS LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2017**

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	12		366		370
<b>Current assets</b>					
Debtors	15	4,050		3,510	
Cash at bank and in hand	16	20,297		15,993	
		24,347		19,503	
<b>Creditors: amounts falling due within one year</b>	17	(17,141)		(15,516)	
<b>Net current assets</b>			7,206		3,987
<b>Total assets less current liabilities</b>			7,572		4,357
<b>Capital and reserves</b>					
Called up share capital	21		3		3
Merger reserve	22		11,752		11,564
Profit and loss reserves	22		(4,183)		(7,210)
<b>Total equity</b>			7,572		4,357

The financial statements were approved by the board of directors and authorised for issue on 7th September 2018 and are signed on its behalf by:



A G Mifsud  
Director

**IXARIS GROUP HOLDINGS LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Notes	2017 £'000	£'000
<b>Fixed assets</b>			
Investments	13		3
<b>Current assets</b>			
Debtors	15	1	
Creditors: amounts falling due within one year	17	(6)	
<b>Net current liabilities</b>			(5)
<b>Total assets less current liabilities</b>			(2)
<b>Capital and reserves</b>			
Called up share capital	21		3
Profit and loss reserves	22		(5)
<b>Total equity</b>			(2)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the period was £5,000.

The financial statements were approved by the board of directors and authorised for issue on 7th September 2018 and are signed on its behalf by:



A G Mifsud  
Director

# IXARIS GROUP HOLDINGS LIMITED

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

		Share capital	Merger reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2016</b>		2	7,194	(5,579)	1,617
<b>Year ended 31 December 2016:</b>					
Loss and total comprehensive income for the year		-	-	(1,631)	(1,631)
Issue of share capital	21	1	4,370	-	4,371
<b>Balance at 31 December 2016</b>		3	11,564	(7,210)	4,357
<b>Year ended 31 December 2017:</b>					
Profit and total comprehensive income for the year		-	-	3,027	3,027
Issue of share capital	21	-	188	-	188
<b>Balance at 31 December 2017</b>		3	11,752	(4,183)	7,572

## IXARIS GROUP HOLDINGS LIMITED

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

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Period ended 31 December 2017:</b>				
Loss and total comprehensive income for the period		-	(5)	(5)
Issue of share capital	21	3	-	3
		<u>3</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2017</b>		<u>3</u>	<u>(5)</u>	<u>(2)</u>

# IXARIS GROUP HOLDINGS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	4,459	3,249
Interest paid		(16)	(16)
Research and development tax credit received		-	431
<b>Net cash inflow from operating activities</b>		<b>4,443</b>	<b>3,664</b>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(178)	(359)
Interest received		8	9
<b>Net cash used in investing activities</b>		<b>(170)</b>	<b>(350)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		188	4,371
Repayment of shareholder loans		(176)	(1,517)
<b>Net cash generated from financing activities</b>		<b>12</b>	<b>2,854</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,285</b>	<b>6,168</b>
Cash and cash equivalents at beginning of year		15,993	10,116
Effect of foreign exchange rates		19	(291)
<b>Cash and cash equivalents at end of year</b>	16	<b>20,297</b>	<b>15,993</b>

# **IXARIS GROUP HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1 Accounting policies**

##### **Company information**

Ixaris Group Holdings Limited ("the company") is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is 2 Stephen Street, London, W1T 1AN.

The group consists of Ixaris Group Holdings Limited and all of its subsidiaries.

The company's and the group'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.

The 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 for parent company information presented within the consolidated financial statements:

- 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 of the parent company;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel of the parent company;
- Section 26 'Share-based Payment'.

The financial statements of the company are included within these consolidated financial statements of Ixaris Group Holdings Limited.

##### **Basis of consolidation**

The consolidated financial statements incorporate those of Ixaris Group Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.



# **IXARIS GROUP HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1 Accounting policies (Continued)**

During the year the group underwent a reconstruction involving the incorporation of Ixaris Group Holdings Limited which then acquired 100% of the share capital of EntroPay Limited on 23 May 2017 via a share for share exchange. These entities have been consolidated using merger accounting. The consolidated financial statements of Ixaris Group Holdings Limited treat the group as if it had always existed. Accordingly in those years when mergers take place, the whole of the results, assets, liabilities and equity of the merged companies are consolidated, regardless of the actual merger date and corresponding figures for previous years are restated.

Under the merger method of accounting, the carrying values of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received is taken to the merger reserve. Any existing balances on the share premium account or capital redemption reserve of the legal subsidiaries are shown as movement on the merger reserve.

All financial statements are made up to 31 December 2017. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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.

#### **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 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.

Consequently, the directors believe that the group is well placed to manage its business risks successfully. 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 financial statements.

#### **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.

#### **Intangible fixed assets other than goodwill**

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 the period during which the benefit is expected to occur. All research and other development costs are written off as incurred.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies (Continued)

Amortisation 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:

Development costs	straight line over 4 years
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#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Leasehold improvements	straight line over 5 years
Furniture and fittings	straight line over 4 to 10 years
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**

In the separate accounts of the company, interests in subsidiaries 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 group. 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 group reviews the carrying amounts 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies (Continued)

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash at bank and in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **Financial instruments**

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

Financial assets and liabilities are offset and 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, 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 group 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 group after deducting all of its liabilities.

# **IXARIS GROUP HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **1 Accounting policies (Continued)**

##### ***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.

##### ***Derecognition of financial liabilities***

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

##### ***Equity instruments***

Equity instruments issued by the group are recorded at the fair value of 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.

##### ***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.

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.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. 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 other future taxable profits.

##### ***Employee benefits***

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 1 Accounting policies (Continued)

#### 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 the profit and 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 leased 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.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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 accounting estimates and assumptions

The group makes estimates and assumptions about 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 of judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

### 3 Turnover and other revenue

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

	2017 £'000	2016 £'000
Other revenue		
Interest income	8	26

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 4 Employees

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

	Group 2017 Number	2016 Number	Company 2017 Number
Operations	109	146	-
Sales & marketing	7	11	-
Administration & support	24	16	-
	<u>140</u>	<u>173</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2017 £'000	2016 £'000	Company 2017 £'000
Wages and salaries	5,366	5,156	-
Social security costs	482	651	-
Pension costs	128	-	-
	<u>5,976</u>	<u>5,807</u>	<u>-</u>

### 5 Directors' remuneration

	2017 £'000	2016 £'000
Remuneration for qualifying services	231	182
Company pension contributions to defined contribution schemes	35	-
Compensation for loss of office	125	-
Sums paid to third parties for directors' services	42	143
	<u>433</u>	<u>325</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017 £'000	2016 £'000
Remuneration for qualifying services	156	160
Company pension contributions to defined contribution schemes	35	-
	<u></u>	<u></u>

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 5 Directors' remuneration (Continued)

During the year, sums paid or accrued to third parties for directors' services included £20,000 (2016: £20,000) to Foresight Venture Capital Funding Partners for the services of Mr Russell Healey, £142,200 (2016: £99,000) to CC Associates for the services of Mr John Chaplin, including a £125,000 ex gratia payment, £nil (2016: £15,000) to JG Walters Ltd for the services of Mr Justin Walters and £4,500 (2016: £9,000) to Practical Enterprise Architecture for the services of Mr Tim Murfet.

#### 6 Operating profit/(loss)

	2017 £'000	2016 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses/(gains)	10	(249)
Depreciation of owned tangible fixed assets	182	249
Loss on disposal of tangible fixed assets	-	23
Amortisation of intangible assets	-	348
Impairment of intangible assets	-	282
Operating lease charges	350	231

Administrative expenses shown in the consolidated statement of comprehensive income include research and development costs of £1,876,000 (2016: £1,567,000) and retrospective indirect tax liability costs of £386,000 (2016: £nil).

#### 7 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	45	43

#### 8 Interest receivable and similar income

	2017 £'000	2016 £'000
<b>Interest income</b>		
Interest on bank deposits	8	9
Other interest income	-	17
Total income	8	26

#### 9 Interest payable and similar expenses

	2017 £'000	2016 £'000
Other interest on financial liabilities	13	39
Other interest	3	-
Total finance costs	16	39

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 10 Taxation

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	112	-
Adjustments in respect of prior periods	(710)	(431)
<b>Total current tax</b>	<u>(598)</u>	<u>(431)</u>

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

	2017 £'000	2016 £'000
<b>Profit/(loss) before taxation</b>	<u>2,429</u>	<u>(2,062)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	467	(412)
Tax effect of expenses that are not deductible in determining taxable profit	19	(92)
Tax effect of income not taxable in determining taxable profit	-	89
Unutilised tax losses carried forward	-	1,018
Change in unrecognised deferred tax assets	31	-
Adjustments in respect of prior years	(710)	(431)
Permanent capital allowances in excess of depreciation	-	4
Research and development tax credit	15	-
Other permanent differences	(155)	-
Short-term timing differences	-	4
Enhanced tax deduction for R&D	(265)	(611)
<b>Taxation credit for the year</b>	<u>(598)</u>	<u>(431)</u>

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 group has tax losses of approximately £0.5 million (2016: £5.7 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 £0.1million (2016: £1.1million) in respect of these losses has not been recognised in these financial statements due to uncertainty as to the timing over future utilisation.



# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 11 Intangible fixed assets

Group	Development costs
	£'000
<b>Cost</b>	
At 1 January 2017 and 31 December 2017	1,392
<b>Amortisation and impairment</b>	
At 1 January 2017 and 31 December 2017	1,392
<b>Carrying amount</b>	
At 31 December 2016 and 31 December 2017	-

The company had no intangible fixed assets at 31 December 2017.

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

In the statement of total comprehensive income the amortisation of intangible fixed assets is shown within administrative expenses.

### 12 Tangible fixed assets

Group	Leasehold improvements	Furniture and fittings	Office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2017	21	356	921	1,298
Additions	-	-	178	178
Disposals	-	-	(406)	(406)
At 31 December 2017	21	356	693	1,070
<b>Depreciation and impairment</b>				
At 1 January 2017	15	109	804	928
Depreciation charged in the year	4	64	114	182
Eliminated in respect of disposals	-	-	(406)	(406)
At 31 December 2017	19	173	512	704
<b>Carrying amount</b>				
At 31 December 2017	2	183	181	366
At 31 December 2016	6	247	117	370

The company had no tangible fixed assets at 31 December 2017.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 13 Fixed asset investments

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000
Investments in subsidiaries	14	-	-	3
		-	-	3

### Movements in fixed asset investments Company

	Shares in group undertakings £'000
Cost or valuation	
Additions	3
At 31 December 2017	3
Carrying amount	
At 31 December 2017	3

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect	
EntroPay Limited	England and Wales*	Software development	ordinary	100.00	-
EntroPay Services Malta Limited	Malta*	Holding company	ordinary	-	100.00
EntroPay Services Limited	Malta*	Software development	ordinary	-	100.00
Ixaris Limited (formerly Ixaris Innovations Limited)	England and Wales*	Holding company	ordinary	100.00	-
Ixaris Solutions Limited	England and Wales*	Software development	ordinary	-	100.00
Ixaris Technologies Limited	England and Wales*	Software development	ordinary	-	100.00
Open Payments Cloud Limited	England and Wales*	Software development	ordinary	100.00	-
Usentric Holdings Limited	Malta*	Holding company	ordinary	-	100.00
Ixaris Systems (Malta) Limited	Malta*	Software development	ordinary	-	100.00

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 14 Subsidiaries (Continued)

\*England and Wales: 10 Midford Place, London W1T 5AE

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

All of the above companies are included in the consolidation.

On 18 October 2017 the group acquired 100% of the shares issued on incorporation of Open Payments Cloud Limited for a total consideration of £100. All other subsidiaries entered the group in the year as a result of merger accounting.

The following subsidiary companies have taken the exemption in Section 479A of the Companies Act 2006 ("the Act") from the requirements in the Act for their individual accounts to be audited. The guarantees given by the company under section 479A of the Act are disclosed in note 24.

- Ixaris Solutions Limited (registered number 9024600)
- Ixaris Technologies Limited (registered number 9024525)
- Open Payments Cloud Limited (registered number 11020759)
- EntroPay Limited (registered number 4072405)
- Ixaris Limited (registered number 9215234)

#### 15 Debtors

	Group		Company
	2017	2016	2017
	£'000	£'000	£'000
Amounts falling due within one year:			
Trade debtors	319	208	-
Corporation tax recoverable	710	-	-
Other debtors	2,706	3,074	1
Prepayments and accrued income	315	228	-
	<u>4,050</u>	<u>3,510</u>	<u>1</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.

#### 16 Cash at bank and in hand

Cash at bank and in hand includes restricted cash of £15.6 million (2016: £10.5 million) represented by bank accounts which are segregated from the company's or group's own operating funds. £15.1 million (2016: £10.1 million) of these balances are funds held in designated client accounts with banks which, together with amounts receivable from banking partners (see note 15), are maintained at a level to fully cover amounts owed to the group's clients.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 22 Reserves (Continued)

#### Profit and loss reserves

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

### 23 Cash generated from group operations

	2017 £'000	2016 £'000
Profit/(loss) for the year after tax	3,027	(1,631)
Adjustments for:		
Taxation credited	(598)	(431)
Finance costs	16	39
Investment income	(8)	(9)
Loss on disposal of tangible fixed assets	-	23
Amortisation and impairment of intangible assets	-	630
Depreciation of tangible fixed assets	182	250
Foreign exchange (gains)/losses on cash equivalents	(19)	291
Movements in working capital:		
Decrease/(increase) in debtors	170	(1,806)
Increase in creditors	1,689	5,893
<b>Cash generated from operations</b>	<b>4,459</b>	<b>3,249</b>

### 24 Financial commitments, guarantees and contingent liabilities

In accordance with Section 479C of the Companies Act 2006, the company has provided a guarantee over the liabilities of all members of the group. Further details are given in note 14 to the Financial Statements.

### 25 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £'000	2016 £'000	Company 2017 £'000
Within one year	291	279	-
Between one and five years	510	756	-
	<u>801</u>	<u>1,035</u>	<u>-</u>

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 20 Retirement benefit schemes

	2017 £'000	2016 £'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	128	-

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 21 Share capital

	Group 2017 £	2016 £	Company 2017 £
<b>Ordinary share capital</b>			
<b>Issued and fully paid</b>			
1,950,630 (2016: 1,847,058) Ordinary shares of 0.1p each	1,950	1,847	1,950
704,849 A Ordinary shares of 0.1p each	705	705	705
48,600 B Ordinary shares of 0.1p each	49	49	49
	<u>2,704</u>	<u>2,601</u>	<u>2,704</u>

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

Each A Ordinary share has full rights with respect to voting and dividends and preferential rights with regard to a distribution on any winding up

Each B Ordinary share ranks equally with all others, save that on any vote each B Ordinary share shall count for 0.999 of each share of each other class

On incorporation the company issued 1 Ordinary share of 0.1p at par for cash consideration.

On 23 May 2017 the following shares were issued for non-cash consideration by way of share for share exchange on acquisition of EntroPay Limited.

- 1,950,629 Ordinary shares of 0.1p each
- 704,849 A Ordinary shares of 0.1p each
- 48,600 B Ordinary shares of 0.1p each

The movements in the group's share capital during the year comprise the issue on 30 April 2017 of the following shares by EntroPay Limited, the parent company prior to the group reorganisation, when share options were exercised:

- 47,100 Ordinary shares for cash consideration at a premium of £0.8433 per share.
- 56,472 Ordinary shares for cash consideration at a premium of £2.6240 per share.

### 22 Reserves

#### Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by subsidiaries plus the fair value of other consideration and the nominal value of shares received. It also includes existing balances on the share premium accounts of subsidiaries.

# IXARIS GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 22 Reserves (Continued)

#### Profit and loss reserves

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

### 23 Cash generated from group operations

	2017 £'000	2016 £'000
Profit/(loss) for the year after tax	3,027	(1,631)
Adjustments for:		
Taxation credited	(598)	(431)
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Decrease/(increase) in debtors	170	(1,806)
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	Group 2017 £'000	2016 £'000	Company 2017 £'000
Within one year	291	279	-
Between one and five years	510	756	-
	<u>801</u>	<u>1,035</u>	<u>-</u>

## **IXARIS GROUP HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **26 Related party transactions**

The group's directors are considered to be key management personnel. Please see note 5 for disclosure of the remuneration received by the group's key management personnel. Employer's NIC paid on directors' remuneration in the year was £26,366 (2016: £22,663).

During the year 2 directors exercised share options in a subsidiary of the group.

At the year end £nil (2016: £176,000) was owed to certain shareholders. Interest payable during the year amounted to £nil (2016: £39,000), and the cumulative accrued interest outstanding at the year end amounted to £nil (2016: £68,000).