Securetrading Group Limited

Annual report and financial statements

Registered number 04586150

31 December 2016

Contents

Directors' report	1
Strategic report	2
Statement of director's responsibilities in respect of the strategic report, the director's report and the financial statements	3
Independent auditor's report to the members of Securetrading Group Limited	4
Consolidated income statement	6
Consolidated statement of comprehensive income	7
Consolidated balance sheet	8
Consolidated statement of changes in equity	9
Company statement of changes in equity	10
Consolidated sash flow statement	11
Notes to the financial statements	12

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the Group is the development and operation of value-added payment services for companies which trade over the internet.

Political and charitable contributions

The Company made no political or charitable contributions or incurred any political expenditure during the year (2015: £nil).

Directors

The following directors have held office since 1 January 2016 unless otherwise stated:

J A Paulsen

D I Holden

Going Concern

After undertaking prudent and robust enquiries, and assessing all data relating to the Group's liquidity, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. For this reason, they have adopted the going concern basis in preparing the Consolidated Financial Statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J A Paulsen
Director

40 Bank Street
London
E14 5NR

28th September 2017

Strategic Report

Business review

Our priorities are set at a Group level with detailed targets and performance plans identified for each objective. These targets are reviewed and updated regularly to ensure that they take account of changes in our markets, our business and financial performance. We are now principal members of Visa and Mastercard, backed by an EU Financial Institution licence, SecureTrading's acquiring services went live in mid-2014 and has shown remarkable growth in full year revenues. Our full suite of payments services has developed considerably and resulting a strong market presence.

In the US, SecureTrading Inc, having received its Nevada Gaming Control Board licence and its ancillary licence in New Jersey, continues to build a solid platform for strategic growth.

Our vision is to be client-focused company that invests in, builds and maintains steady revenue growth. The Board will attempt to increase the Group's assets over the coming year against a background of a sector that is growing at an extraordinary rate. Returns to Shareholders, as always, are the most important metric but we believe that a larger investment portfolio would lead to better risk adjusted returns and a lower expense ratio. The Board is confident that further progress can and will be made in the year ahead.

Description of principal risk and uncertainties

The turnover of the group consists of income from the provision of electronic payment services. Sales are dependent on the Group being able to continually offer its customers cost-effective, versatile and reliable products and complying with ever changing demands of the environment in which it operates, including changes in global government and regulatory policies around the world.

The Group, as it adapts to global changes in its markets, needs to ensure that it can maintain strong internal controls and procedures.

The Group's principal financial instruments comprised cash in liquid resources and various items such as trade receivables and trade payables that arise directly from its operations.

The main risk arising from the Group's financial instrument is liquidity risk. The Group finances its operations through a mixture of share capital and income from sales. Liquidity risk is monitored using a liquidity gap model which calculates the net cash flows of the Group or of individual companies over time in order to detect any critical points in the expected liquidity. The total liquidity requirement is calculated as the sum of the negative gaps (outflows greater than inflows) recorded for each individual time period. Any positive gaps found in a time period are used to reduce negative gaps in subsequent periods.

Trade receivables are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits.

Trade payables liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Foreign currency risk is the risk that the group will sustain losses through adverse movements in currency exchange rates. The Group's business is impacted through its exposure to some of its fee income being in US dollars and Euros.

The Group is exposed to changes in relationships with its customers and suppliers. It is a key task for the operational management in each business to maintain and develop relationships with customers and suppliers.

By order of the board

J A Paulsen
Director

40 Bank Street
London
E14 5NR
28th September 2017

Statement of Director's responsibilities in respect of the strategic report, the director's report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
15 Canada Square
London
E14 5GL

Independent Auditor's report to the members of Securetrading Group Limited

We have audited the financial statements of Securetrading Group Limited for the year ended 31 December 2016 set out on pages 6 to 38. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the group and company's ability to continue as a going concern; in particular the continued availability of amounts due to lenders under facilities that expire in November 2017, potentially extending to early 2018, classified as repayable within one year, and the availability of alternative equity and / or debt funding when those amounts are repaid. These conditions, along with the other matters explained in Note 1 to the financial statements, indicates the existence of a material uncertainty, which may cast significant doubt on the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or company was unable to continue as a going concern.

Independent Auditor's report to the members of Securetrading Group Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

Stephen Muncey (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL

28th September 2017

Consolidated Income Statement
for the year ended 31 December 2016

	Note	2016	2015
		£	£
Revenue	4	**37,214,886**	15,465,843
Cost of sales		**(22,269,071)**	(8,200,609)
Gross profit		**14,945,815**	7,265,234
Administrative expenses		**(15,859,373)**	(9,724,090)
Other income	7	**2,065,055**	-
Operating profit/(loss)	5	**1,151,497**	(2,458,856)
Financial expense	8	**(3,423,495)**	(3,042,064)
Loss on ordinary activities before taxation		**(2,271,998)**	(5,500,920)
Tax on loss on ordinary activities	9	**(562,110)**	(10,814)
Loss on ordinary activities after taxation		**(2,834,108)**	(5,511,734)

The notes on pages 12 to 38 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	2016	2015
	£	£
Loss for the financial year	**(2,834,108)**	(5,511,734)
Exchange differences on translating foreign operations	264,493	(4,306)
Change in fair value of assets classified as available-for-sale	(1,423,780)	1,423,780
Total comprehensive loss for the year	**(3,993,395)**	(4,092,260)

The notes on pages 12 to 38 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2016

	Note	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Non-current assets					
Intangible assets	*11*	**1,878,776**	1,679,712	**107,950**	31,297
Tangible assets	*12*	**1,895,672**	821,741	**149,040**	19,896
Trade and other receivables	*14*	**1,145,778**	1,239,748	-	-
Investments in subsidiaries	*13*	-	-	**2,341,511**	2,317,534
		4,920,226	3,741,201	**2,598,501**	2,368,727
Current assets					
Trade and other receivables	*14*	**23,405,068**	13,460,700	**785,979**	8,657,273
Available for sale financial assets	*15*	-	1,423,780	-	-
Cash at bank and in hand		**35,149,244**	5,555,646	**3,045**	(977)
		58,554,312	20,440,126	**789,024**	8,656,296
Total assets		**63,474,538**	24,181,32	**3,387,525**	11,025,023
Current Liabilities	*16*	**(87,065,234)**	(43,632,936)	**(32,817,984)**	(34,423,467)
Non-current Liabilities	*17*	**(273,056)**	(418,748)	-	-
Total Liabilities		**(87,338,290)**	(44,051,684)	**(32,817,984)**	(34,423,467)
Net Liabilities		**(23,863,752)**	(19,870,357)	**(29,430,459)**	(23,398,444)
Equity attributable to equity holders of the parent					
Share capital	*19*	**9,500**	9,500	**9,500**	9,500
Share premium		**1,777,293**	1,777,293	**1,777,293**	1,777,293
Retained earnings		**(29,505,889)**	(26,936,274)	**(31,217,252)**	(25,185,237)
Fair Value Reserve		-	1,423,780	-	-
Capital contribution reserve		**3,855,344**	3,855,344	-	-
Total equity		**(23,863,752)**	(19,870,357)	**(29,430,459)**	(23,398,444)

The notes on pages 12 to 38 form part of these financial statements

These financial statements were approved by the board of directors on 28th September 2017 and were signed on its behalf by:

J A Paulsen
Director
Company number: 04586150

Consolidated Statement of changes in equity
at 31 December 2016

	Share Capital	Share Premium	Fair Value Reserve	Capital Contribution Reserve	Retained Earnings	Group Total
Balance at 1 January 2015	9,500	1,777,293	-	-	(21,420,234)	(19,633,441)
Loss for the year	-	-	-	-	(5,511,734)	(5,511,734)
Fair value movement	-	-	1,423,780	-	-	1,423,780
Net exchange movement in translation of reserves	-	-	-	-	(4,306)	(4,306)
	9,500	**1,777,293**	**1,423,780**	**-**	**(26,936,274)**	**(23,725,701)**
Transactions with owners, recorded directly in equity						
Contributions by owners	-	-	-	3,855,344	-	3,855,344
Balance at 31 December 2015	**9,500**	**1,777,293**	**1,423,780**	**3,855,344**	**(26,936,274)**	**(19,870,357)**

	Share Capital	Share Premium	Fair Value Reserve	Capital Contribution Reserve	Retained Earnings	Group Total
Balance at 1 January 2016	9,500	1,777,293	1,423,780	3,855,344	(26,936,274)	(19,870,357)
Loss for the year	-	-	-	-	(2,834,108)	(2,834,108)
Fair value movement	-	-	(1,423,780)	-	-	(1,423,780)
Net exchange movement in translation of reserves	-	-	-	-	264,493	264,493
	9,500	**1,777,293**	**-**	**3,855,344**	**(29,505,889)**	**(23,863,752)**
Contributions by owners	-	-	-	-	-	-
Balance at 31 December 2016	**9,500**	**1,777,293**	**-**	**3,855,344**	**(29,505,889)**	**(23,863,752)**

Notes form internal part of financial statement

Company Statement of changes in equity
at 31 December 2016

	Share Capital	Share Premium	Retained Earnings	Company Total
Balance at 1 January 2015	9,500	1,777,293	(24,808,948)	(23,022,155)
Loss for the year	-	-	(376,289)	(376,289)
Balance at 31 December 2015	**9,500**	**1,777,293**	**(25,185,237)**	**(23,398,444)**

	Share Capital	Share Premium	Retained Earnings	Company Total
Balance at 1 January 2016	9,500	1,777,293	(25,185,237)	(23,398,444)
Loss for the year	-	-	(6,032,015)	(6,032,015)
Balance at 31 December 2016	**9,500**	**1,777,293**	**(31,217,252)**	**(29,430,459)**

Notes form internal part of financial statement

Consolidated Cash Flow Statement
for the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Operating loss for the financial year		**(2,271,998)**	(5,500,920)
Adjustments for:			
Amortisation of intangible assets	11	**36,572**	163,987
Depreciation of tangible assets	12	**872,756**	502,504
Changes in trade and other receivables		**(3,049,284)**	(1,900,643)
Foreign exchange loss		**425,350**	181,899
Other income	7	**(2,065,055)**	-
Finance expense	8	**3,423,495**	3,042,064
Changes in trade and other payables		**33,893,380**	10,012,918
Cash from operations		**31,265,216**	6,501,809
Taxation		-	-
Net cash inflow / (outflow) from operating activities		**31,265,216**	6,501,809
Cash flows from financing activities			
Interest Paid		**(843,212)**	(1,086,943)
Net cash outflow on Returns on Investments & Servicing of finance		**(843,212)**	(1,086,943)
Cash flows from investing activities			
Proceeds from financial assets classified as available- for-sale	15	**1,423,780**	-
Purchases of tangible assets	12	**(1,661,445)**	(449,343)
Purchases of intangible assets	11	**(232,984)**	(1,231,530)
Net cash from investing activities		**(470,649)**	(1,680,873)
Cash flows from financing activities			
Receipt of loan monies		-	-
Drawdown on Finance Lease	17	-	362,303
Repayment of bank loans		-	(20,000)
Repayment of finance lease obligations		**(69,862)**	(221,803)
Repayment of related party loans		-	-
Net cash used in financing activities		**(69,862)**	120,500
Net increase in cash and cash equivalents		**29,881,493**	3,854,493
Foreign exchange translation adjustment		**(287,895)**	(54,079)
Cash and cash equivalents at the beginning of year		**5,555,646**	1,755,232
Cash and cash equivalents at end of year		**35,149,244**	5,555,646

The notes on pages 12 to 38 form part of these financial statements.

Notes to the financial statements
(forming part of the financial statements)

Significant Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1.1 Basis of preparation and compliance with accounting standards

Secure Trading Group Limited (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 8 and 10.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

1.2 Basis of preparation - company

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied The financial statements are prepared under the historical cost convention.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company transitioned from UK GAAP to FRS 101, applying IFRS 1 for all periods presented. There were no material amendments on the adoption.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Under FRS 101 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets.
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period.
- Disclosures in respect of the compensation of Key Management Personnel; and

Notes *(continued)*

Accounting polices (continued)

1.2 Basis of preparation – company (continued)

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

1.3 Basis of preparation – group

The financial statements are prepared under the historical cost convention.

1.4 Measurement convention

The financial statements are prepared on the historical cost basis except for financial instruments classified as available-for-sale which are stated at their fair value:

1.5 Going concern

As at 31 Dec 2016, the Group had cash of £35.1m, net current liabilities of £86.2m and net liabilities of £23.9m, of which £18m related to the capital and accrued interest amounts due under the Facilities Agreement entered into on 8 November 2013. As at the end of July 2017, the group owed £19.2m under the Facilities Agreement and had cash at bank of £5.2m.

The directors have prepared forecasts for a period of at least 12 months from the date of authorisation of these financial statements that show that the group expects to be able to operate within the existing facilities should they remain available to the group. Therefore, having made enquiries, and having also received the ongoing support of a related company, Mansion Associates Ltd, the directors are satisfied that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The group external financing of £19.2m is, per the Facilities Agreement, due for repayment in November 2017, potentially extending to early 2018.

The group was in breach of its covenants at 31 December 2015 so the debt provider's facilities are deemed to be due on demand and the debt provider could exercise their rights under the Facilities Agreement but they have not done so. Given that the business is performing well, any enforcement of such rights would likely impact their own recovery and significantly diminish the value of the group as a whole.

The covenant certificate for 31 December 2016 has not yet been agreed but may show a breach.

The directors expect to be able to repay the group's external debt through a refinancing by alternative equity and/or debt rather than through operational cash flow. Discussions about the refinancing of the group are in progress and these are expected to result in the provision of new facilities, although completion is subject to concluding a transaction with new investors.

The continued availability of the external loan or the availability of appropriate alternative funding represents a material uncertainty that may cast significant doubt on the group and the parent company's ability to continue as a going concern. The group and the parent company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business but the financial statements do not include any adjustments that would result from the going concern basis being inappropriate.

Notes *(continued)*

Accounting polices (continued)

1.5 Going concern (continued)

Given the strong trading performance of the group since 31 December 2016 as well as its forecasts into 2017 and beyond, and the current re-financing of the group that is currently being negotiated, the directors continue to adopt the going concern basis in the preparation of the financial statements.

1.6 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.7 Research and development

Expenditure on research activities is recognised in the income statement as an expense as it is occurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions are met:

• an asset is created that can be identified (such as software and new processes);

• it is probable that the asset created will generate future economic benefits; and

• the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

Notes *(continued)*

Accounting polices *(continued)*

1.8 Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the cost of developing the design and the content are charged to the profit and loss account as incurred.

1.9 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

1.10 Patents

Patents are valued at historic cost. Patents have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives (20 years).

1.11 Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Computer hardware, software and websites — over 3 years
- Fixtures, fittings and equipment — over 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

Accounting polices *(continued)*

1.12 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where impairment is expected to be permanent. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life.

1.13 Intangible fixed assets and depreciation

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

The assets' carrying amounts and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Other licences

Expenses incurred in relation to acquiring principal membership status with two card schemes are capitalised and shown at historical cost. The assets are amortised on a straight-line basis over three years, and are carried at cost less accumulated impairment losses.

The assets' carrying amounts and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.14 Investments

Fixed assets investments are stated at cost less provision for diminution in value.

1.15 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

1.16 Taxation

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes *(continued)*

Accounting polices *(continued)*

1.17 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

1.18 Cash held on deposit

Cash is held on deposit in respect of certain customer electronic payment transactions where there is a higher than normal risk of loss to the payment processor. This cash is held for a fixed period to protect the company and its financial service providers and is returned to the customer to the extent the deposit is not used. Cash held on deposit under these arrangements is recorded on the balance sheet as cash, with an equal liability for the amount held.

1.19 Financial assets

Initial recognition and derecognition

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Accordingly, the Company uses trade date when recording financial asset transactions.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or the Company has not retained control of the asset.

Classification

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition.

Notes *(continued)*

Accounting polices *(continued)*

1.19 Financial assets (continued)

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

1.20 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Company intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Company upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all of their initial investment, other than because of credit deterioration.

Loans and receivables mainly consist of loans and advances to Companies, funds receivable from card schemes and funds advanced as collateral. They are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest rate method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (and groups of financial assets or financial liabilities) and of allocating the 'Net interest income' over the relevant period.

Notes *(continued)*

Accounting polices *(continued)*

1.21 Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or that are not classified as loans and receivables or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value, and changes therein are recognised in other comprehensive income until the financial assets are either sold or become impaired. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. as 'Net gains on sale of available-for-sale financial investments'.

1.22 Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becomes probable that the obligor will enter bankruptcy or other financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the receivable's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Assets classified as available-for-sale

Available-for-sale financial assets are assessed at the end of each reporting period for objective evidence of impairment. If such evidence exists as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event has an impact, which can be reliably measured, on the estimated future cash flows of the financial asset an impairment loss is recognised.

If the available-for-sale financial asset is impaired, the difference between the financial asset's acquisition cost and the current fair value, less any previous impairment loss recognised in profit or loss, is reclassified from other comprehensive income and recognised in profit or loss as a reclassification adjustment.

In assessing objective evidence of impairment of equity securities at the reporting date the Company considers all available evidence, including observable data or information about events specifically relating to the issuer, and also to information about significant changes in technology, markets, economics or the law that provides evidence that the cost of the equity securities may not be recovered.

A significant or prolonged decline in the fair value of the equity security classified as available-for-sale below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

Once an impairment loss has been recognised all subsequent increases in the fair value of an available-for-sale equity security are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through profit or loss. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in profit or loss, to the extent that further cumulative impairment losses have been incurred.

Notes *(continued)*

Accounting polices *(continued)*

1.23 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables include receivables from card schemes for transactions processed on behalf of merchants where the Company is a member of that particular card scheme.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.24 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and all liquid investments with an initial maturity of three months or less when purchased. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Cash and cash equivalents also include settlement related cash balances, which represent surplus funds that the Company holds when the incoming amount from card schemes precedes the funding obligation to the merchant. These amounts also include cash that the Company holds related to reserve funds withheld from merchants that serve as collateral to minimise contingent liabilities associated with any losses that may occur under the merchant agreement. The Company records a corresponding liability for settlement processing obligations in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise deposits held at call with banks.

1.25 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.26 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables include settlement processing obligations representing transactions that have been processed but not yet funded together with funds withheld from merchants that serve as collateral to minimise contingent liabilities associated with any losses that may occur under the merchant agreement ("merchant rolling reserve").

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes *(continued)*

Accounting polices *(continued)*

1.27 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 realise the asset and settle the liability simultaneously.

1.28 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.29 Revenue recognition

Revenue comprises the fair value of the consideration or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue streams of the business are Electronic Payment Services, Cyber Security Services and Acquiring Merchant Services. Revenue streams of the business are Electronic Payment Services and Acquiring Merchant Services, both of which typically recognise levels of transactions (based on number and value) and Cyber Security Services, which are typically invoiced on project or deliverable completion.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed.

1.30 Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease

1.31 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes *(continued)*

Accounting polices *(continued)*

1.32 Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. Financial Instruments

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks including credit risk, market risk, specifically foreign exchange risk, and liquidity risk. Accordingly, the directors provide principles for overall risk management as well as policies covering specific areas. In order to manage these risks, the Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

(a) Credit risk

The Company's exposures to credit risk as at the end of the reporting periods based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets are analysed as follows:

	2016	2015
	£	£
Financial assets classified as available-for-sale (Note 15)	**-**	1,423,780
Trade and other receivables (Note 14)	**22,580,422**	13,460,700
Cash and cash equivalents	**35,149,244**	5,555,646
	57,729,666	20,440,126

Trade and other receivables consist of €8,343,711 (2015: €1,188,090) of deposits held with reputable financial institutions of high quality rating, as a financial safeguard in relation to Visa and Mastercard ('the card schemes') together with an amount of €16,225,580 (2015: €182,606) representing funds receivable from card schemes relating to transactions processed in the last few processing days of the year.

Whilst the Company notionally has concentration risk in respect of having receivables from two card schemes, these card schemes are underpinned by financial stability/creditworthiness within the wider financial markets.

Notes *(continued)*

2. Financial Instruments *(continued)*

Card schemes interpose themselves between issuing and acquiring banks to ensure the performance of transactions being processed by using several layers of financial safeguards to cover losses resulting from the default of one or more members. Accordingly, the credit risk emanating from the Company's exposures to card schemes are deemed by the directors to be immaterial.

Credit concentration risk also exists with respect to the Company's cash equivalents, which are held with a reputable financial institution of high quality standing or rating.

As at 31 December 2016, the Company's trade and other receivables were fully performing. All the receivables from card schemes outstanding at year end were settled within days from the end of the reporting period. The Company assesses the credit quality of its trade and other receivables taking into account the financial position, past experience and other factors relating to the receivable.

The Company is also exposed to credit risk to the extent that the card schemes of which it is a Member may chargeback credit card purchases. In order to manage its credit risk exposures arising from its payment processing operations, the Company compiles and updates due diligence reports in respect of its merchants and establishes appropriate transaction volumes and value limits. The Company monitors its merchants' adherence to limits in relation to charge-backs on a daily basis to prevent any collection losses that are inherent in the Company's payment processes.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016	2015
	£	£
UK	**473,730**	202,024
Rest of Europe	**297,169**	144,458
USA	**470,337**	255,262
Rest of the world	**283,494**	44,387
	1,524,730	646,131

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Company has established procedures to minimise the risk of default by trade receivables including credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due receivables.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross	**Impairment**	Gross	Impairment
	2016	**2016**	2015	2015
	£	**£**	£	£
not past due	**853,432**	-	449,330	-
Past due [0-30 days]	**230,594**	-	122,371	-
Past due [31-120 days]	**72,383**	-	43,738	-
More than 120 days	**368,471**	**(150)**	30,883	(150)
Total	**1,524,880**	**(150)**	646,322	(150)

Notes *(continued)*

2. Financial Instruments *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
	£	£
Balance at 1 January	(150)	(150)
Impairment loss recognised	-	-
Impairment loss reversed	-	-
Balance at 31 December	(150)	(150)

(b) Market Risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. To reduce its currency exposure, the Company generally matches its asset and liability positions represented by the amounts due by acquirers and other payment service providers and the relative amounts due to the merchants. The remaining open foreign exchange exposures mainly consist of part of the funds advanced as collateral to card schemes, bank balances and part of the amounts payable to group undertakings denominated in foreign currency.

The net open currency exposure at the end of the reporting period amount to €1,513,711 (2015: €1,038,098), which is denominated in US dollar. The Company does not apply hedging techniques in respect of foreign exchange risk. Under the scenario that the euro appreciates/depreciates by 20% against the United States Dollar (USD), the effect would be a decrease/increase of €302,742 (2015: €207,618) in the carrying amount of financial instruments with the adverse/favourable impact recognised in profit or loss.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments

31 December 2016	Sterling	Euro	US Dollar	Other	Total
	£	£	£	£	£
Cash and cash equivalents	728,627	1,380,680	25,156,399	7,883,538	35,149,244
Trade receivables	1,106,818	415,324	2,588	-	1,524,730
Current Collaterals	-	5,830,132	146,336	-	5,976,468
Amounts due from acquirer	6,005,140	1,844,990	3,886,823	2,113,307	13,850,260
Collateral with schemes	-	-	1,145,778	-	1,145,778
Secured bank loans	(18,444,722)	-	-	-	(18,444,722)
Trade payables	(1,480,444)	(3,668,645)	(263,832)	(314)	(5,413,235)
Amounts due to merchants	(9,884,628)	(11,060,615)	(30,541,365)	(4,509,305)	(55,995,913)
Balance sheet exposure	**(21,969,209)**	**(5,258,134)**	**(467,273)**	**5,487,226**	**(22,207,390)**

Notes *(continued)*

2. Financial Instruments *(continued)*

31 December 2015	Sterling	Euro	US Dollar	Other	Total
	£	£	£	£	£
Cash and cash equivalents	2,668,407	105,806	1,825,173	956,263	5,555,649
Trade receivables	589,650	52,169	4,352	-	646,172
Amounts due from acquirer	1,129,259	1,332,631	1,920,767	787,144	5,169,801
Collateral with schemes	-	412,736	827,012	-	1,239,748
Secured bank loans	(16,412,462)	-	-	-	(16,412,462)
Trade payables	(1,783,505)	(1,405,565)	(844,008)	-	(4,033,078)
Amounts due to merchants	(4,625,920)	(3,250,509)	(3,905,215)	(787,144)	(12,568,788)
Balance sheet exposure	**(18,434,571)**	**(2,752,732)**	**(171,919)**	**956,263**	**(20,402,958)**

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets that mature in the long-term, its income and operating cash flows are substantially independent of changes in market interest rates. The Company's cash flow interest rate risk arises from cash and cash equivalents. Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk as exposure to suck risk was not deemed to be significant by the directors since these assets are of a short term nature. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally settlement processing obligations and other liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Company manages this risk, by monitoring future cash flows together with changes in available liquidity on a regular basis. Senior management is updated on a regular basis on the cash flow position of the Company.

The Company's financial projections reveal that the financial performance of the Company is expected to improve in the foreseeable future thereby generating net cash inflows subsequent to the end of the reporting period. Furthermore, the ultimate parent company of Securetrading Financial Services Limited has undertaken to continue to support the Company and to provide the necessary finance and guarantees to enable the Company to meet any obligations in full. Accordingly, the Company's liquidity risk is not deemed material.

The loan balance is due within one year or on demand (£17,956,851) (2015: (£15,770,646))

31 December 2016	1 year or less	1 to 2 years	2 to 5 years	Total
Finance lease liabilities	£214,818	£182,901	£90,155	**£487,874**
31 December 2015	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**Total**
Finance lease liabilities	£223,067	£183,658	£235,090	**£641,815**

Notes *(continued)*

2. Financial Instruments *(continued)*

2.2 Capital risk management

The objectives of Secure Trading Financial Service Ltd (a Group Subsidiary Undertakings) while managing capital are to comply with the minimum capital requirements required by the Malta Financial Services Authority ("MFSA") and to safeguard Secure Trading Financial Service Ltd's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, Secure Trading Financial Service Ltd may adjust the amount of dividends paid to shareholders or issue new shares. Secure Trading Financial Service Ltd maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature and stage of the activities, the directors deem the capital level as at the end of the reporting period to be adequate.

Secure Trading Financial Service Ltd is required to hold minimum capital requirements in compliance with rules issued by the MFSA. The minimum capital requirement must be maintained at all times throughout the financial period. Secure Trading Financial Service Ltd monitors its capital level on a regular basis. Any transactions that may potentially affect the capital requirements are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

During the financial period ended 31 December 2016, Secure Trading Financial Service Ltd met at all times the minimum capital requirements imposed by the regulatory authority. As at 31 December 2016, the minimum capital requirement amounted to £1,739,582 (€2,037,920) (2015: £671,642 (€911,285)) which is lower than the Group's own funds amounting to £2,067,989 (€2,422,649) (2015: £837,782 (€1,136,702))

2.3 Fair value of financial instruments

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

Fair values are consequently determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

Financial instruments carried at fair value
As at 31 December 2016, financial assets classified as available-for-sale amounted to £nil (2015: £1,423,780 (€1,931,785))

The best evidence of fair value is a quoted price in an actively traded market. The fair values of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. Where a financial instrument has a quoted price in an active market, the fair value of the total holding of the financial instrument is calculated as the product of the number of units and quoted price.

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. The bid/offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell.

In the event that the market for a financial instrument is not active, a valuation technique is used. Valuation techniques may incorporate assumptions about factors that other market participants would use in their valuations, including:

- the likelihood and expected timing of future cash flows on the instrument. Judgement may be required to assess
- the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;
- selecting an appropriate discount rate for the instrument. Judgement is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate;

Notes *(continued)*

2. Financial Instruments *(continued)*

- judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

The financial assets classified as available-for-sale represent the Company's interest in Visa Europe Limited and have been determined to be a Level 3 fair value. As at 31 December 2014, the Company's interest in Visa Europe was recognised in the statement of financial position with a carrying amount of €10. In accordance with IAS 39, the fair value of available-for-sale financial assets should be re-measured at each reporting date. Please see Note 15 for further explanation.

3. Critical accounting estimates and judgements

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

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1

4. Revenue analysis by type and business segment

The analysis by class of business of the group's turnover is set out below:

Revenue

	2016	2015
	£	£
Class of business		
Electronic payment services	**7,231,164**	6,323,459
Acquiring Bank	**29,983,722**	9,142,384
	37,214,886	15,465,843

Notes *(continued)*

5. Operating loss

	2016	2015
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	**36,572**	163,987
Depreciation of tangible assets	**872,756**	502,504
(Profit)/Loss on foreign exchange transactions	**(1,141,314)**	155,500
Global development and set up costs	**-**	963,983

Auditor's remuneration

	2016	2015
	£	£
Fees payable to the group's auditors for the audit of the group's annual accounts	**90,000**	60,000

6. Employee costs

Number of employees

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

	2016	2015
	Number	Number
Management	**24**	24
Sales and administration	**48**	37
Technical and development	**26**	18
Customer services and support	**45**	30
	143	109

Employment costs

	2016	2015
	£	£
Wages and salaries	**5,355,284**	5,416,311
Social Security costs	**642,753**	553,438
Other pension costs	**146,121**	173,194
Redundancy	**50,000**	-
	6,194,158	6,142,943

7. Other income

	2016	2015
	£	£
Gain on Visa transaction (Note 15)	**2,065,055**	-

Notes *(continued)*

8. Finance Expense

	2016	2015
	£	£
On loans	**2,954,934**	2,539,997
Loan commitment fee	-	-
Loan arrangement fee	**251,791**	162,500
Finance lease interest	**101,020**	89,900
Other	**115,750**	249,667
	3,423,495	3,042,064

9. Taxation

	2016	2015
	£	£
Corporation tax current year		
UK Corporation tax charge (credit)	-	-
Adjustments in respect of prior years	**(191,517)**	10,814
Foreign tax	**779,946**	-
Current tax charge credit	**588,429**	10,814
Deferred tax		
Origination and reversal of timing differences	**(26,319)**	(63,287)
Adjustment in respect of prior years	-	63,287
Effect of tax rate change on opening balance	-	-
Deferred tax charge	**(26,319)**	-
Total tax charge / (credit)	**562,110**	10,814

	2016	2015
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	**(2,271,998)**	(5,500,920)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2015: 20.25%)	**(454,400)**	(1,113,936)
Effects of:		
Non-deductible expenses	**32,263**	8,240
Impact of rate difference between deferred and current tax	**347,853**	464,114
Fixed asset differences	**(241)**	1,807
Excess overseas taxes suffered	**754,053**	122,127
Unrecognised deferred tax asset	**149,308**	454,360
R&D	**(75,209)**	-
Utilisation of brought forward loss	-	-
Adjustment for prior years	**(191,517)**	74,102
	1,016,510	1,124,750
Total tax charge (credit)	**562,110**	10,814

Notes *(continued)*

9. Taxation *(continued)*

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

10. Loss for the financial year

As permitted by section 408 Companies Act 2006, the company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2016	2015
	£	£
Company's loss for the financial year	**(6,032,015)**	(376,289)

Notes *(continued)*

11. Intangible fixed assets

Group	Development Costs	Patent	Total
	£	£	£
Cost			
At 1 January 2015	656,384	-	656,384
Additions	1,230,770	760	1,231,530
FX adjustment	1,445	-	1,445
At 31 December 2015	**1,888,599**	**760**	**1,889,359**
Amortisation			
At 1 January 2015	45,349	-	45,349
Charge for the year	163,987	-	163,987
FX adjustment	311	-	311
At 31 December 2015	**209,647**	-	**209,647**
Net book value			
At 31 December 2015	**1,678,952**	**760**	**1,679,712**

Group	Development Costs	Patent	Total
	£	£	£
Cost			
At 1 January 2016	1,888,599	760	1,889,359
Additions	232,984	-	232,984
Transfer	-	(760)	(760)
FX adjustment	6,825	-	6,825
At 31 December 2016	**2,128,408**	-	**2,128,408**
Amortisation			
At 1 January 2016	209,647	-	209,647
Charge for the year	36,572	-	36,572
FX adjustment	3,413	-	3,413
At 31 December 2016	**249,632**	-	**249,632**
Net book value			
At 31 December 2016	**1,878,776**	-	**1,878,776**

Notes *(continued)*

11. Intangible fixed assets *(continued)*

Company	**Development Costs**	**Patent**	**Total**
	£	**£**	**£**
Cost			
At 1 January 2016	30,537	760	31,297
Additions	92,609	-	92,609
Transfer	-	(760)	(760)
At 31 December 2016	**123,146**	-	**123,146**
Amortisation			
At 1 January 2016	-	-	-
Charge for the year	15,196	-	15,196
Released on disposal	-	-	-
At 31 December 2016	**15,196**	-	**15,196**
Net book value			
At 31 December 2016	**107,950**	-	**107,950**
At 31 December 2015	30,537	760	31,297

Notes *(continued)*

12. Tangible fixed assets

Group	Computer hardware, software and websites	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2015	2,290,102	178,829	2,468,931
Additions	394,581	54,762	449,343
Disposal	-	(4,310)	(4,310)
FX Adjustment	(2,482)	(1,850)	(4,332)
At 31 December 2015	**2,682,201**	**227,431**	**2,909,632**
Depreciation			
At 1 January 2015	1,471,310	117,538	1,588,848
Charge for the year	465,552	36,952	502,504
Disposal	-	(3,053)	(3,053)
FX Adjustment	(322)	(86)	(408)
At 31 December 2015	**1,936,540**	**151,351**	**2,087,891**
Net book value			
At 31 December 2015	**745,661**	**76,080**	**821,741**

Group	Computer hardware, software and websites	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2016	2,682,201	227,431	2,909,632
Additions	1,475,612	185,834	1,661,446
Disposal	(52,481)	-	(52,481)
FX Adjustment	335,410	10,733	346,143
At 31 December 2016	**4,440,742**	**423,998**	**4,864,740**
Depreciation			
At 1 January 2016	1,936,540	151,351	2,087,891
Charge for the year	815,314	57,442	872,756
Disposal	(29,156)	-	(29,156)
FX Adjustment	33,779	3,798	37,577
At 31 December 2016	**2,756,477**	**212,591**	**2,969,068**
Net book value			
At 31 December 2016	**1,684,265**	**211,407**	**1,895,672**

Notes *(continued)*

12. Tangible fixed assets *(continued)*

Company	**Computer hardware, software and websites**	**Fixtures, fittings & equipment**	**Total**
	£	£	£
Cost			
At 1 January 2016	444,039	24,341	468,380
Additions	-	144,017	144,017
Disposal	-	-	-
At 31 December 2016	**444,039**	**168,358**	**612,397**
Depreciation			
At 1 January 2016	425,356	23,128	448,484
Charge for the year	4,530	10,343	14,873
Disposal	-	-	-
At 31 December 2016	**429,886**	**33,471**	**463,357**
Net book value			
At 31 December 2016	**14,153**	**134,887**	**149,040**
At 31 December 2015	18,683	1,213	19,896

Notes *(continued)*

13. Investments

Company	Shares in group undertakings £
Cost	
At 1 January 2016	2,317,534
Capital contributions	23,977
At 31 December 2016	**2,341,511**
Net book value	
At 31 December 2016	**2,341,511**
At 31 December 2015	2,317,534

A capital contribution of £23,976 (2015: £443,261) was made to Secure Trading Financial Services Limited during the year. In the opinion of the directors the aggregate value of the company's investments in subsidiary undertakings is not less than the amounts included in the balance sheet.

The company holds the following issued ordinary share capital in the group undertakings listed below:

Company Subsidiary undertakings	Country of registration of incorporation	Class	Shares held%
Securetrading Limited	England	Ordinary	100
Secure G Holdings Limited	England	Ordinary	100
SG Four Limited*	England	Ordinary	100
SG Seven Limited*	England	Ordinary	100
Securetrading Group Inc*	USA	Ordinary	100
Securetrading Inc*	USA	Ordinary	100
Secure G Two BV*	Netherlands	Ordinary	100
SecureTrading FS Holding Ltd	Malta	Ordinary	100
SecureTrading Financial Services Ltd	Malta	Ordinary	100
Securetrading Services Limited	Malta	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

Subsidiary undertakings	Principal activity
Securetrading Limited	Development and operation of payment systems
Secure G Holdings Limited	Investment holding and management company
SG Four Limited*	Dormant
SG Seven Limited*	Dormant
Securetrading Group Inc*	Investment holding and management company
Securetrading Inc*	Payment service provider
Secure G Two BV*	Payment service provider
SecureTrading FS Holding Ltd	Holding company
SecureTrading Financial Services Ltd	Financial services
Securetrading Services Limited	Payment service provider

*investments are held through Secure G Holdings Limited.

The address of the Malta subsidiaries: Triq Dun Karm, Birkirkarm, BKR 9034; USA subsidiaries: 100 S. Saunders Rd, Lake Forest IL 60045; UK subsidiaries: 40 Bank Street, London E14 5NR and Secure G Two BV address is Legmeerdijk 313 Loc. 43, 1431GB Aalsmeer,Netherlands.

Notes *(continued)*

14. Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	£	£	£	£
Trade receivables	**1,524,730**	646,172	-	-
Amounts due from card schemes	**13,850,261**	5,169,801	-	-
Current collaterals	**5,976,468**	-	-	-
Amounts owed by undertakings of parent group	-	3,653,162	-	5,248,021
Other receivables	**1,328,078**	3,291,084	**362,245**	2,881,071
Prepayments and accrued income	**725,531**	295,311	**423,734**	123,011
Deferred tax asset	-	405,170	-	405,170
	23,405,068	13,460,700	**785,979**	8,657,273

Non-current trade and other receivables consist of funds held as collateral with schemes of £1,145,778 (2015: £1,239,748).

15. Financial assets classified as available-for-sale

Financial assets classified as available-for-sale

	2016	2015
	£	£
Investment in Visa Europe Limited	-	1,423,780

Following the public announcement on 2 November of the proposed sale Visa Europe Limited ("Visa Europe") to Visa Inc., the fair value of the Company's equity interest in Visa Europe being 1 ordinary share of €10 was established by reference to the consideration offered by Visa Inc. A gain was recognised in the Consolidated Statement of Comprehensive Income for 2015 for the revised valuation.

On 22 April 2016, Visa Inc. made a further announcement regarding the terms of the agreement. As a result of this announcement, the potential amounts due to the Company was estimated at a cash payment of €1.9m when the deal completes, a deferred payment of €167 after three years, with the possibility of a further €0.7m of preferred shares in Visa Inc. allocated over 12 years.

The following fair value was assigned to the Company's interest in Visa Europe Limited at 31 December 2015 as a result of the transaction:

- Cash payment of €1,931,785 (£1,423,780). The fair value of the cash consideration was measured as the Company's expected proportionate share of the upfront proceeds from the sale.
- Preferred shares of €nil. The shares were convertible to Visa Inc. common shares subject to satisfaction of certain conditions and the final amount was subject to a significant litigation contingency. Given the uncertainty surrounding the level of liability for any litigation, and a total period of 12 years before any shares are received, the Company assigned no fair value to this element at 31 December 2015.

During 2016, VISA Inc. and VISA Europe Limited closed the transaction upon which the Company received a cash payment, preferred stock convertible into Visa Inc. class A common stock, and deferred cash consideration. The Company transferred the preferred stock to a related entity for of €630,536 and, accordingly, recognised the full value of €2,562,321 (£2,065,055) proceeds from the Visa transaction in the profit or loss, with the fair value of £1,423,780 recognised up to 31 December 2015 being reversed from other comprehensive income.

Notes *(continued)*

16. Current liabilities

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	**17,956,850**	15,770,646	**-**	-
Principal amounts due on Finance Leases	**214,818**	223,067	**-**	-
Trade payables	**5,413,235**	4,033,078	**999,858**	1,647,850
Amounts owed to parent group	**824,646**	6,978,471	**31,096,672**	29,738,420
Amounts due to merchants	**55,995,913**	12,568,788	**-**	-
Other taxes and social security costs	**820,492**	915,568	**129,295**	930,771
Other payables	**179,543**	1,117,371	**68,813**	709,350
Accruals and deferred income	**5,659,737**	2,025,947	**523,346**	1,397,076
	87,065,234	43,632,936	**32,817,984**	34,423,467

17. Non-current liabilities

Group

	2016 £	2015 £
Finance lease	**273,056**	418,748
Loan	**-**	-
Less: loan arrangement fee	**-**	-
Total	**273,056**	418,748

Maturity of debt:	2016 £	2015 £
In one year or less or on demand	**18,313,853**	16,298,401
In more than one year but not more than two years	**183,777**	183,657
In more than two years but not more than five years	**89,279**	235,091
Capitalised loan arrangement fee	**(142,187)**	(304,688)
	18,444,722	16,412,461

Loan arrangement fees of £650,000 were incurred on issue of the loan and are being expensed over the life of the loan. Costs of £162,500 were expensed in the period to 31 December 2016 *(2015: £162,500)*.

18. Provisions for deferred tax

The group has an unrecognised deferred tax asset of £5,577,539 at 17% *(2015: £5,168,630 at 18%)* which has not been recognised on the grounds that there is insufficient evidence that the asset will be recovered.

Notes *(continued)*

19. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
Ordinary shares of £0.0001 each	**9,500**	9,500

20. Pension and other post-retirement benefit commitments

Defined contribution

	2016 £	2015 £
Contributions payable by the group for the year	**206,199**	173,194

21. Directors' remuneration

Group	2016 £	2015 £
Remuneration for qualifying services	**657,798**	**657,798**

The highest paid director in the year received remuneration of £355,075 *(2015: £348,348)*
The amount attributable to services provided to SecureTrading Group is £565,707 *(2015: £565,707)*

22. Control

The immediate and ultimate parent company is UC Group Limited, a company registered in England and Wales.

The ultimate controlling party is J A Paulsen, a director of the company and the parent company.

UC Group Limited prepares group financial statements and copies can be obtained from 40 Bank Street, Canary Wharf, London, E14 5NR, United Kingdom.

23. Related party transactions

Group

J A Paulsen and D I Holden are also directors of Mansion Associates Limited. Mansion Associates Limited ("MAL") incurs certain consultancy, advertising and head office costs on behalf of the company. These services have been recharged on a commercial basis. All related party transactions are at arms-length and not secured.

At the year end, the group was owed £ 2,293,237 by Mansion Associates Limited *(2015: £ 1,744,214)*.