Financial Statements
eMerchantPay Limited

For the year ended 31 August 2016

Registered number: 05153270

Company Information

Directors	S R Dickson A R Goslar J Reynisson A V Hrolfsson
Company secretary	A Robinson
Registered number	05153270
Registered office	29 Howard Street North Shields Tyne & Wear NE30 1AR
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP

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For the year ended 31 August 2016

Principal Activity

The principal activity of the Group is the provision of payment services to merchants including the provision of payment gateways and approval technology enabling merchants to accept payments by debit and credit cards and a large variety of other payment methods. The Directors do not envisage any material change in the nature of the activities of the Group in the ensuing year.

The Group was formed in 2004 and continues to grow its product offering and expand its geographic coverage. The Company leverages services and products provided by other companies within the Group, this includes operational support from the Group's operations company, eMerchantPay OOD in Bulgaria.

Market focus

As noted last year eMerchantPay has significant expertise and is active in the processing of transactions for industries and merchants where significant knowledge and expertise in payments plus the management of risk and fraud is essential. The Group focuses on e-commerce and in particular the provision of a one stop shop product solution globally. The industry verticals that are the current focus of this sector-based strategy are:

- Gaming
- Skill games (subscription, play to win, virtual worlds, fantasy sports).
- Casual games (micro transactions)
- Forex and binary options
- Adult
- Food supplements
- Other high risk; music download, discount club membership, currency exchange, electronics, financial repair, prepaid phone cards, merchants selling wine, ticket brokering and insurance

After an initial venture into the Travel sector in 2013/2014 the Group then stepped back out of the sector while it developed its product capability to support the Travel industry. That is now in place and in 2016/2017 the Group will be once again targeting that sector.

The Group continues to develop its offering to enable it to compete and grow in it's targeted market. In the year a number of alternative payment solutions have been added to the portfolio, the Group's own payment gateway has continued to be developed and additional fraud tools contracted. The card present initiative launched last year in Poland has continued slowly and the Directors believe that this strategy needs to be revisited in 2017.

Business activities and performance indicators

The business is currently structured around two profit centres being:

Europe PSP (Payment Services Provider) – providing a large number of international payment solutions to European merchants through contracting with a number of card acquiring banks and international alternative payment solutions. The Europe PSP profit centre is operated under the brand name eMerchantPay.

Europe Acquirer – the provision of debit and credit card acquiring services in Europe provided to European PSPs, including the eMerchantPay PSP, both for e-commerce and a little card present. This profit centre is operated under the brand name e-Comprocessing.

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For the year ended 31 August 2016

Both business lines have continued to grow throughout the current year. Importantly the Directors are pleased to report that in e-Comprocessing the balance of the portfolio is being successfully addressed to relieve the reliance on any one particular business sector.

Processing volumes continue to be the key metric by which the Group's performance is monitored, followed by margin. These two drive the resourcing requirements and therefore the expense base and the ultimate profitability of the Group. The Board are pleased to note that the volumes processed have increased as follows:

PSP activity	2015	$785.5m	2016	$822.7m	increase of 4.7%
Acquiring activity	2015	$261.8m	2016	$466.5m	increase of 78.2%

In all respects the Board are pleased with the growth in the year and particularly the growth of the Europe Acquiring business. It is fully expected that strong growth across all sectors will continue throughout 2016/2017 and the strategies developed over the last few years are delivered. During the first quarter of 2016/2017 the Group has realigned it distribution focus with a revision to the commercial team and the appointment of a Partner Manager adding additional focus to and acceleration in growing the processing volumes and therefore the expected profitability.

Business review

The Directors are pleased with the Group's performance in the financial year and of its strength moving into the current year. While ultimate profitability may not be as strong as was intended the results reflect the squeeze in margins, and the growth of the lower margin acquiring business. Volumes have remained strong and costs have been under control. The strength of the Group continues to develop. The in-house sales team are now showing progress, regularly exceeding target and are seeing an increased acknowledgement of eMerchantPay as a quality brand in the payments industry.

The Group continues to add new card acquiring partners to its worldwide portfolio and to expand upon the range of cards and alternative payment solutions it offers to its merchants. Specific product capabilities have been developed to support particular industry verticals including the travel and general retail sectors mentioned earlier.

The Directors and Senior Management Team are committed to the on-going delivery of additional product and solution capabilities and have re-arranged certain responsibilities to put appropriate focus and expertise to specific activities. The results of this are starting to appear.

Review of Trading Results

The Group's performance in the year to 31 August 2016 was strong and further enhanced by the inclusion of $5,361,582 being the profit on the sale of the Groups investment in Visa Europe. Processing volumes increased by 23.1% from $1,047.3 million in 2015 to $1,289.2 million in the current year. Gross Profit increased by 9.3% in absolute terms but dropped as a percentage of turnover from 61% to 56%. This is a reflection of strong volume growth offset by tighter margins that need to be offered to attract the primary merchants in the targeted verticals while EBITDA excluding the gain on the sale of the Visa shares has similarly increased by 34.7% from $4.9 million to $6.6 million.

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The Group's cash and bank balances are $7.97 million (2015: $6.53 million) and total equity is now $25.2 million (2015: $15.2 million).

Even with margin compression the Directors are expecting the overall profitability of the Group to continue to increase as the current business lines continue to grow and new lines come on stream.

Across the wider eMerchantPay Group Limited group of companies there is operated a complex transfer pricing policy which ensures that the cost of internal services and products are charged to the relevant business unit and that therefore the Group Accounts in this report fairly reflect the Group's activities.

Position of the Group at Year End
As noted above the Group has continued to perform strongly. The Directors recognise the need for on-going business development plans and feel that within the existing plans there is substantial potential for further growth over the next years. Both the PSP and acquiring business will grow during 2016/2017 particularly as a result of the refocusing of the sales activity. We shall continue to seek to add acquiring banks to our portfolio to ensure we can support this growth. The continued addition of new alternative payment solutions will additionally support the growth plans.

The Europe Acquiring business has grown strongly over the current year and it is envisaged that this will continue. As with all small acquirers, the risks of fraud rations and chargebacks will continue to be closely managed to ensure a well balanced portfolio. The strategy will continue to be to source business from PSP's and ISO's. The eMerchantPay Europe PSP will be one such but eMerchantPay will continue to work with and seek additional banks across the globe. This mitigates risk for the Group and indeed its merchants, while building capacity allowing the business to grow.

The Directors recognise that the success of the Group is dependent upon continued growth opportunities and they will work along with the Senior Management to ensure the Group continually evolves.

Principal Risks and Uncertainties
The Directors believe that the diversification through growing in the USA and Asia will protect the Group from any impacts that may affect the current European business.

Technology Risk
Technology is critical to ensuring the delivery of a market-leading product and service to the Group's merchants. The "payment gateway" is the front end technology that clients experience. The Group has since 2002 worked with a third party gateway provider to develop and run a high quality gateway. The eMerchantPay Group is the principal user of this gateway and its development has been focussed upon supporting eMerchantPay's requirements. The PSP merchants and their processing sit on this platform and its ongoing development is key to the Group's success.
In addition to this the Group has developed its own payment gateway which is being used in two instances. It is the front-end for the acquiring business connecting a number of ISO's and PSP's to the processor and there is a separate PSP instance of the gateway as well.

By integrating the gateways the Group is able to more rapidly add additional APM's so increasing the product offering.

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There are a number of core risks that could affect the Group's key technology, namely:

Data Security Risk

The safe transmission and storage of personal and transactional information is key to the success of the business. The Group therefore ensures that all appropriate technology is certified as Payment Card Industry Data Security Standard (PCI DSS) Level 1 and that technology that does not need to be certified as such but which is customer facing is maintained and operated in a PCI DSS Level 1 environment.

Cyber Attack

The risk of a DDOS attack is very real these days and the Group has experienced a number of attempts. All market facing software has the appropriate DDOS protection.

Regulatory Risk

The international regulatory landscape for the payments industry is constantly changing. It is important that eMerchantPay remains fully aware of all proposals and changes in the countries where it operates and adopts changes and requirements promptly. This enables the Group to ensure the continuation of service to its clients.

Merchant Credit Risk

eMerchantPay has always taken the credit risk of its merchants from its partner acquiring banks. This exposes the Group to the contractual ability of merchant to deliver the goods and services as advertised and/or refund the associated payment.

To mitigate this exposure eMerchantPay employs a number of tools including a significant investment in fraud and risk protection tools, the adoption of rolling credit reserves and the delay in settlement to merchants.

In the accounts for the year there is $81,685 (2015: $20,272) for merchant credit write-off.

Settlement Risk

In processing payment transactions eMerchantPay is required to remit the proceeds it receives from the schemes to settle the transactions of its merchants. Failure to settle those transactions, either because funds have not been received or eMerchantPay's (or its partner banks) systems have failed would expose eMerchantPay breaching it merchant contracts exposing it to legal, financial and reputational consequences.

To mitigate this eMerchantPay's designated bank accounts are monitored and reconciled daily ensuring that any rejected or unexpected payments are identified and corrected as soon as possible. The funds received daily are also reconciled to scheme settlement reports to ensure that the appropriate level of funds have been received and that there is sufficient liquidity to allow eMerchantPay to meet its obligations to its merchants.

Strategic report
For the year ended 31 August 2016

Financial Risk
eMerchantPay operates across the globe and as a result is exposed to a number of financial risks including foreign exchange risks and interest rate risks.

Approved by the Board of Directors and signed on behalf of the Board

S R Dickson
Director

19 December 2016

Directors' report

For the year ended 31 August 2016

Results

The profit for the year, after taxation, amounted to $9,828,514 (2015: $3,934,202)

Post balance sheet events

There have been no significant events affecting the Group identified subsequent to year end through to the date of this report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar whichever is earlier.

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

S R Dickson
Director

Date: 19 December 2016

Directors' responsibilities statement

For the year ended 31 August 2016

The directors are responsible for preparing the Directors' report and the consolidated 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 group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 the group 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of eMerchantPay Limited

We have audited the financial statements of eMerchantPay Limited for the year ended 31 August 2016, which comprise the Consolidated statement of profit or loss, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated statement of cash flows, the related notes, the parent Company Balance sheet and the notes to the parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom general Accepted Accounting Practice).

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 Auditors' 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 auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at 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 August 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of eMerchantPay Limited

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 which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton UK LLP

Nicholas Watson
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 19 December 2016

Consolidated statement of profit or loss

For the year ended 31 August 2016

	Notes	2016 $	(restated) 2015 $
Revenue	4	**42,071,543**	35,423,367
Other income		**172,987**	-
Direct expenses		**(18,586,120)**	(13,935,355)
Employee benefits expenses	6	**(548,169)**	(544,726)
Amortisation of non-financial assets		**(6,297)**	-
Other expenses		**(16,482,337)**	(16,011,935)
Operating profit	7	**6,621,607**	4,931,351
Finance costs	8	**(592)**	-
Finance income	8	**43,930**	23,940
Profit on disposal of investments	9	**5,361,582**	-
Profit before tax		**12,026,527**	4,955,291
Tax expense	10	**(2,198,013)**	(1,021,089)
Profit for the year		**9,828,514**	3,934,202

All amounts relate to continuing operations.

The notes on pages 19 to 46 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 August 2016

	Notes	2016	2015
		$	$
Profit for the year		**9,828,514**	3,934,202
Other Comprehensive Income:			
Items that can be reclassified subsequently to profit or loss			
Available-for-sale financial assets current year gains	12	**122,744**	-
Income tax relating to items that will be reclassified	17	**(22,094)**	-
Other comprehensive income for the year, net of tax		**100,650**	-
Total comprehensive income for the year		**9,929,164**	3,934,202

The notes on pages 19 to 46 form part of these financial statements.

Consolidated statement of financial position

As at 31 August 2016

	Notes	2016	2015
		$	$
Assets			
Non-current			
Intangible assets	11	**69,271**	-
Other long-term financial assets	12	**11,417,680**	3,297,644
Non-current assets		**11,486,951**	3,297,644
Current			
Inventories	13	**23,979**	-
Trade and other receivables	14	**21,061,443**	18,879,329
Cash and cash equivalents	15	**7,967,080**	6,533,058
Current assets		**29,052,502**	25,412,387
Total assets		**40,539,453**	28,710,031

eMerchantPay Limited
Registered number: 05153270

Consolidated statement of financial position

As at 31 August 2016

	Notes	2016 $	2015 $
Equity and liabilities			
Equity			
Share capital	16	2	2
Retained earnings		25,074,474	15,245,960
Other components of equity		100,650	-
Total equity		25,175,126	15,245,962
Liabilities			
Non-current Liabilities			
Deferred tax liability	17	402,960	-
Non-current liabilities		402,960	-
Current Liabilities			
Pension and other employee obligation	18	53,182	134,121
Trade and other payables	19	13,461,318	12,787,954
Current tax liabilities		1,446,867	541,994
Current liabilities		14,961,367	13,464,069
Total liabilities		15,304,327	13,464,069
Total equity and liabilities		40,539,453	28,710,031

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 December 2016.

S R Dickson
Director

The notes on pages 19 to 46 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2016

	Share capital	Retained earnings	Other components of equity	Total equity
	$	$	$	$
Balance at 1 September 2014	2	11,311,758	-	11,311,760
Profit for the year and total comprehensive income	-	3,934,202	-	3,934,202
Balance at 31 August 2015 and 1 September 2015	**2**	**15,245,960**	**-**	**15,245,962**
Profit for the year	-	9,828,514	-	9,828,514
Other comprehensive income	-	-	100,650	100,650
Balance at 31 August 2016	**2**	**25,074,474**	**100,650**	**25,175,126**

The notes on pages 19 to 46 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 August 2016

	Notes	2016 $	2015 $
Operating activities			
Profit before tax		**12,026,527**	4,955,291
Non-cash flow adjustments	21	**(5,189,644)**	167,312
Net changes in working capital	21	**(1,284,306)**	(1,908,579)
Taxes paid		**(912,274)**	(816,213)
Net cash from operating activities		**4,640,303**	2,397,811
Investing activities			
Purchase of other intangible assets	11	**(75,568)**	-
Purchase of other long term financial assets	12	**(6,037,336)**	(2,247,216)
Proceeds from disposals of other long term financial assets	9	**2,995,098**	-
Interest received	8	**34,402**	23,940
Net cash used in investing activities		**(3,083,404)**	(2,223,276)
Financing activities			
Interest paid	8	**(592)**	-
Net cash used in financing activities		**(592)**	-
Net change in cash and cash equivalents		**1,556,307**	174,535
Cash and cash equivalents, beginning of year	15	**6,533,058**	6,394,932
Exchange differences on cash and cash equivalents		**(122,285)**	(36,409)
Cash and cash equivalents, end of year	15	**7,967,080**	6,533,058

The notes on pages 19 to 46 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 August 2016

1. Nature of operations

The principal activity of the Group is the provision of payment services to merchants including a payment gateway and approval technology enabling merchants to accept payments by debit and credit cards and other payment methods and acquiring of Mastercard and Visa transactions.

2. General information and statement of compliance with IFRSs

eMerchantPay Limited the Group's parent company, is a limited liability company incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 29 Howard Street, North Shields, Tyne & Wear, NE30 1AR.

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with IAS 1.51(b) International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The consolidated financial statements for the year ended 31 August 2016 (including comparatives) were approved and authorised for issue by the board of directors on 19 December 2016.

In 2016 the Group has not applied any new accounting policies (see Note 3 below) or made other retrospective changes that have a material effect on the consolidated statement of financial position as at 1 September 2014. Accordingly, the Group is not required to present a third statement of financial position as at that date.

3. Changes in accounting policies

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company and the Group. Information on those expected to be relevant to the Company and the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company and the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company and the Group's financial statements.

New and revised standards – IFRS in issue but not applied in the current financial statements

The following IFRSs have been issued but have not yet been applied by the Company and Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these standards when they become effective, rather than adopt them early.

- IFRS 9, 'Financial Instruments', effective date 1 January 2018;
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018;
- IFRS 16, 'Leases', effective date 1 January 2019.

Notes to the Financial Statements
For the year ended 31 August 2016

3. Changes in accounting policies (continued)

The above standards are yet to be subject to a details review. IFRS 9 will impact both the measurement and disclosure of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of leases currently treated as operating leases. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

4. Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and its subsidiary as of 31 August 2016. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 August. All information consolidated is for the 12 months to 31 August. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of Group members have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

4.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report.

The Group meets its day to day working capital requirements through its own funds held in corporate accounts with its' bankers. The current economic conditions create uncertainty particularly over the level of demand for the Group's services and the exchange rate between US Dollar, Sterling and Euro and thus the consequence for the cost base for the Group's activities.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements

For the year ended 31 August 2016

4. Summary of accounting policies (continued)

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in US Dollars ("USD") which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

The functional currency of the entities in the Group is USD and has remained unchanged during the reporting period.

4.5 Revenue

Revenue arises from the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group generates revenues from the provision of payment services to online merchants and from fees and commissions earned in respect of its services as an acquirer for MasterCard and Visa.

Consideration received for these services is recognised as revenue at the point at which the online transaction is executed.

4.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

4.7 Intangible asset

Recognition of intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

4. Summary of accounting policies (continued)

Subsequent measurement

Intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.8. The following useful lives are applied

- Software - 3 years

Amortisation has been included within amortisation of non-financial assets within the consolidated statement of profit or loss.

4.8 Impairment testing of intangible assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.9 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the Financial Statements
For the year ended 31 August 2016

4. Summary of accounting policies (continued)

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

4. Summary of accounting policies (continued)

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities. AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported with other components reserve within equity, except for interest and dividend income, impairment losses are foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value and measured subsequently at amortised cost using the effective interest method

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.11 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

4. Summary of accounting policies (continued)

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

4.14 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Notes to the Financial Statements

For the year ended 31 August 2016

4. Summary of accounting policies (continued)

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Revenue recognition

Commission for the provision of online payment services is calculated as a percentage of or a fixed fee on the value of the transaction the service is provided in respect of. Turnover is recognised at the value of commissions earned for services provided during the year.

The directors recognise that they adopt some credit risk around the transactions the Group processes but do not consider that there is any significant impact on their role as agent in the transactions.

Functional currency

The directors believe that due to the nature of the business and given that a significant proportion of the Group and Company's income is derived in US dollars, the functional currency of the Group and Company is US dollars and the financial statements should be presented in US dollars.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 25).

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Notes to the Financial Statements
For the year ended 31 August 2016

4. Summary of accounting policies (continued)

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that that group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.16 Restatement

The 2015 amount of $259,991 has been reclassified to other expenses within the consolidated statement of profit or loss for consistency with the current year presentation. It is noted there is no impact on the current or prior period earnings as a result of this reclassification.

5. Interests in subsidiaries

Composition of the Group

Set out below are details of the subsidiaries held by the Group.

Shares held by eMerchantPay Limited:

Company Name	Country	Percentage Shareholding	Description
EMPPay Limited	United Kingdom	100%	Provides payment solutions to small merchants

Notes to the Financial Statements

For the year ended 31 August 2016

6. Employee remuneration

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

	2016	2015
	No.	No.
	5	5

Expenses recognised for employee benefits are analysed below

	2016	2015
	$	$
Non-executive directors' fees	76,418	82,355
Sums paid to third parties for employee services	471,751	462,371
	548,169	544,726

7. Operating profit

Operating profit is stated after charging:

	2016	2015
	$	$
Amortisation of intangibles	6,297	-
Foreign exchange losses	333,669	259,991
Auditors remuneration		
- for audit services	71,470	86,019
- for non-audit services	16,153	7,681

8. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2016	2015
	$	$
Other interest	592	-

Finance income for the reporting periods consists of the following:

	2016	2015
	$	$
Interest on bank deposits	43,492	23,940
Other Interest	438	-
	43,930	23,940

Notes to the Financial Statements
For the year ended 31 August 2016

9. Profit on disposal of investment

eMerchantPay Limited ("eMP") was a principal member of Visa Europe Limited ("VE"), an association owned by member banks and other payment service providers, providing services for Visa cards issued across Europe. In June 2016, VE was acquired by Visa Inc. ("VI"), an unrelated entity providing the same payment services as VE but outside of Europe, through a 100% share capital purchase to create single global Visa card payment processing business.

eMP held one €10 redeemable share in VE and as part of the transactions received a predefined share (depending on the respective business volumes for each Principal Member) of total consideration to be paid by VI in return for their VE shareholding. The total consideration paid was a mixture of cash, convertible preferred stock (the "up front consideration") and additional cash subsequent to the deal close (the "deferred consideration"), which is payable shortly after the third anniversary of the transaction date and entitlement to its receipt is not contingent upon any future event.

The consideration receivable was:

	2016
	$
Upfront cash consideration	2,995,098
VI convertible preferred stock	2,046,650
Deferred consideration	319,834
Total	5,361,582

Notes to the Financial Statements

For the year ended 31 August 2016

10. Tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of eMerchantPay Limited at 20% (2015: 20.58%) and the reported tax expense in profit or loss are as follows:

	2016	2015
	$	$
Profit before tax	**12,026,527**	4,955,291
Domestic tax rate for eMerchantPay Limited	**20%**	20.58%
Expected tax expense	**2,405,306**	1,019,799
Expenses not deductible for tax purposes	**6,022**	1,704
Adjustments to tax charge in respect of prior periods	**7,373**	(253)
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	**(41,972)**	-
Current tax (current period) exchange differences arising on movement between opening and closing spot rates	**(136,395)**	-
Non-taxable income	**(1,072,316)**	-
Chargeable gains	**1,072,313**	-
Adjustment to brought forward balances	**24,549**	-
Deferred tax not recognised	**(22,094)**	-
Adjust closing deferred tax to average rate of 20%	**(44,773)**	-
Group relief	-	(12)
Marginal relief	-	(149)
Actual tax expense	**2,198,013**	1,021,089

Tax expense comprises:

	2016	2015
	$	$
Current tax expense		
Current tax on profits for the year	**1,851,745**	1,021,089
Adjustment in respect of previous year	**(34,598)**	-
Current tax expense	**1,817,147**	1,021,089
Deferred tax expense		
Origination and reversal of temporary differences	**380,866**	-
Deferred tax expense	**380,866**	-
Total tax expense	**2,198,013**	1,021,089

Notes to the Financial Statements

For the year ended 31 August 2016

11. Intangible assets

	Acquired Software Licenses $
Gross carrying amount	
At 1 September 2015	-
Additions	75,568
At 31 August 2016	**75,568**
Amortisation and impairment	
At 1 September 2015	-
Provided in the year	6,297
At 31 August 2016	**6,297**
Carrying amount at 31 August 2016	**69,271**
Carrying amount at 31 August 2015	-

All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

Notes to the Financial Statements

For the year ended 31 August 2016

12. Other long term financial assets

	AFS (FV) $	Other Investments $	Security deposits $	Total $
Cost or valuation				
At 1 September 2015	-	285,000	3,012,644	3,297,644
Additions	2,046,650	315,000	5,722,336	8,083,986
Foreign exchange movement	-	-	(74,348)	(74,348)
Negative interest on security deposits	-	-	(12,346)	(12,346)
Revaluation of listed investments	122,744	-	-	122,744
At 31 August 2016	2,169,394	600,000	8,648,286	11,417,680
Net book value				
At 31 August 2016	**2,169,394**	**600,000**	**8,648,286**	**11,417,680**

	AFS (FV) $	Other Investments $	Security deposits $	Total $
Cost or valuation				
At 1 September 2014	-	150,000	1,055,271	1,205,271
Additions	-	135,000	2,112,216	2,247,216
Foreign exchange movement	-	-	(154,843)	(154,843)
At 31 August 2015	-	285,000	3,012,644	3,297,644
Net book value				
At 31 August 2015	-	285,000	3,012,644	3,297,644

Notes to the Financial Statements

For the year ended 31 August 2016

12. Other long term financial assets (continued)

The details and carrying amounts of AFS financial assets are as follows:-

	2016	2015
	$	$
Listed securities	2,169,394	-
Total AFS Financial Assets at fair value	2,169,394	-

The Group holds 1,922 Series B Convertible Participating Preferred Stock, par value $0.0001 per share, in Visa Inc. ("VI"), following the acquisition of Visa Europe Limited ("VE") by VI (see Note 9).

During the year a gain of $122,744 (2015: $nil) was recognised in other comprehensive income.

The Group plans to continue to hold its investment in VI.

13. Inventories

Inventories consist of the following:

	2016	2015
	$	$
Merchandise	23,979	-

14. Trade and other receivables

Trade and other receivables consist of the following:

	2016	2015
	$	$
Trade receivables	4,700,609	4,732,869
Financial assets	4,700,609	4,732,869
Amounts owed by related parties	13,456,275	13,332,581
Other debtors	2,405,874	199,248
Prepayments	498,685	614,631
Non-financial assets	16,360,834	14,146,460
	21,061,443	18,879,329

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment and none were found to be impaired.

Notes to the Financial Statements
For the year ended 31 August 2016

15. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2016	2015
	$	$
Cash at bank and in hand:		
- USD	**4,593,917**	5,097,997
- GBP	**770,858**	1,315,683
- EUR	**2,077,305**	119,272
- Other currencies	**-**	106
Short-term deposits		
- USD	**525,000**	-
	7,967,080	6,533,058

16. Share capital

	2016	2015
	$	$
Shares authorised, issued and fully paid:		
1 Ordinary share of £1	2	2

17. Deferred tax liabilities

Deferred taxes arising from temporary differences are summarised as follows:

	1 September 2015	Recognised in profit or loss	Recognised in other comprehensive income	31 August 2016
	$	$	$	$
Deferred tax relating to:				
Accelerated capital allowances	-	(12,469)	-	(12,469)
Short-term temporary differences	-	-	(22,094)	(22,094)
Capital gains	-	(368,397)	-	(368,397)
	-	**(380,866)**	**(22,094)**	**(402,960)**

The amount recognised in other comprehensive income relates to the revaluation of listed investments.

Notes to the Financial Statements

For the year ended 31 August 2016

18. Pensions and other employee obligations

The liabilities recognised for pensions and other employee remuneration consist of the following amounts:

	2016	2015
Current	**$**	$
Other short term employees obligations	**53,182**	134,121

19. Trade and other payables

Trade and other payables consist of the following:

	2016	2015
Current	**$**	$
Trade payables	**378,339**	318,504
Amounts owed to related parties	**271,910**	276,186
Accruals and deferred income	**12,811,069**	12,193,264
	13,461,318	12,787,954

All amounts are short-term. The carrying values of trade payables and accruals and deferred income are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the year ended 31 August 2016

20. Financial assets and liabilities

Categories of financial assets and financial liabilities

Note 4.9 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	AFS	Held for trading (FVTPL)	Loans and receivables	Total
2016		$	$	$	$
Financial assets					
Security deposits	12	-	-	8,648,286	8,648,286
Other investments	12	2,169,394	600,000	-	2,769,394
Other long-term financial assets		2,169,394	600,000	8,684,286	11,417,680
Trade and other receivables	14	-	-	4,700,609	4,700,609
Cash and cash equivalents	15	-	-	7,967,080	7,967,080
		2,169,394	600,000	21,315,975	24,085,369

	Note	Other liabilities	Total
2016		$	$
Financial liabilities			
Trade and other payables	19	13,461,318	13,461,318
		13,461,318	13,461,318

Notes to the Financial Statements

For the year ended 31 August 2016

20. Financial assets and liabilities (continued)

	Note	AFS	Held for trading (FVTPL)	Loans and receivables	Total
2015		$	$	$	$
Financial assets					
Security deposits	12	-	-	3,012,644	3,012,644
Other investments	12	-	285,000	-	285,000
Other long-term financial assets		-	285,000	3,012,644	3,297,644
Trade and other receivables	14	-	-	4,732,869	4,732,869
Cash and cash equivalents	15	-	-	6,533,058	6,533,058
		-	285,000	14,278,571	14,563,571

	Note	Other liabilities	Total
2015		$	$
Financial liabilities			
Trade and other payables	19	12,787,954	12,787,954
		12,787,954	12,787,954

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 24.

The methods used to measure financial assets reported at fair value are described in Note 25.

Notes to the Financial Statements

For the year ended 31 August 2016

21. Non-cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

Non- cash flow adjustments	**2016**	2015
	$	$
Depreciation, amortisation and impairment of non-financial assets	**6,297**	-
Foreign exchange losses	**122,285**	36,409
Exchange rate movement in Security deposits	**74,348**	154,843
Interest received on security deposits	**12,346**	-
Interest income	**(43,930)**	(23,940)
Interest expense	**592**	-
Profit on disposal of investment	**(5,361,582)**	-
Total adjustments	**(5,189,644)**	167,312

Net changes in working capital	**2016**	2015
	$	$
Increase in inventories	**(23,979)**	-
Increase in trade and other receivables	**(1,852,752)**	(6,919,558)
Increase in trade and other payables	**673,363**	4,939,485
(Decrease)/increase in other employee obligations	**(80,938)**	71,494
Total changes in working capital	**(1,284,306)**	(1,908,579)

Notes to the Financial Statements

For the year ended 31 August 2016

22. Related party transactions

The Group's related parties include its fellow group subsidiaries of the ultimate parent undertaking, eMerchantPay Group Limited as described below.

None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash or by Group set off arrangements.

Name of Fellow subsidiary	Charge in respect of service received 2016	Charge in respect of service received 2015	Outstanding balance 2016	Outstanding balance 2015
	$	$	$	$
eMerchantPay Group Limited (Jersey)	2,186,558	2,269,888	981,629	1,139,055
eMerchantPay UK Services Limited	1,075,849	1,087,991	6,824,535	6,057,554
eMerchantPay OOD	12,294,834	11,536,539	414,831	435,015
eMerchantPay International Limited	-	-	378,235	378,235
eMerchantPay Corporations Inc.	-	-	2,686,227	2,313,590
Interconsult Group Holdings Limited	-	-	176,942	174,097
INSOnline Limited	-	-	1,541,771	2,675,046
EMPPay Inc.	-	-	4,790	4,790
eMerchantPay Asia Inc.	-	-	97,640	155,200
eMerchant Asia Inc.	-	-	274,634	-
EMP Holdings Limited	-	-	2,736	-
eZeewallet Limited	-	-	72,305	-
eMerchantPay Group Limited (BVI)	-	-	(271,910)	(276,186)

23. Controlling party

The directors consider that the immediate and ultimate parent undertaking of this group is eMerchantPay Group Limited, a company incorporated in Jersey, by virtue of its controlling stake over it. The largest and smallest Group of which the company is a member and for which Group financial statements are drawn up is headed by eMerchantPay Group Limited. Copies of the financial statements of eMerchantPay Group Limited are available from Centenary House, La Grande Route de St. Pierre, St. Peter, Jersey, JE3 7AY.

24. Financial instruments risk

24.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 20. The main types of risks are market risk, credit risk and liquidity risk.

24. Financial instruments risk (continued)

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

24.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk which results from both its operating and investing activities.

24.3 Foreign currency sensitivity

Most of the Group's transactions are carried out in US Dollars. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros (EUR) and Pounds Sterling (GBP). Further, the Group has bank balances held in EUR, GBP and other currencies. The Group's exposure to foreign currency risk from non-USD cash flows is carefully monitored. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into USD at the closing rate:

	EUR	GBP	Other
	$	$	$
At 31 August 2016			
Financial assets	5,739,643	1,466,465	44,341
Financial Liabilities	(877,278)	(2,572,783)	(57,048)
Total exposure	4,862,356	(1,106,318)	(12,707)

	EUR	GBP	Other
	$	$	$
At 31 August 2015			
Financial assets	2,205,923	850,844	59,538
Financial Liabilities	(328,950)	(1,047,416)	(9,782)
Total exposure	1,876,973	(196,572)	49,756

Notes to the Financial Statements

For the year ended 31 August 2016

24. Financial instruments risk (continued)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the EUR/USD exchange rate and GBP/USD exchange rate 'all other things being equal'. It assumes a +/- 5% change of the USD/EUR exchange rate for the year ended at 31 August 2016 (2015: 5%). A +/-15% change is considered for the USD/GBP exchange rate (2015: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the USD had strengthened against the EUR by 5% (2015: 10%) and GBP by 15% (2015: 5%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR	**GBP**	**Total**	**EUR**	**GBP**	**Total**
	$	$	$	$	$	$
31 August 2016	(243,118)	165,948	(77,170)	(243,118)	165,948	(77,170)
31 August 2015	(187,697)	9,829	(177,868)	(187,697)	9,289	(177,868)

If the USD had weakened against the EUR by 5% (2015: 10%) and GBP by 15% (2015: 5%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR	**GBP**	**Total**	**EUR**	**GBP**	**Total**
	$	$	$	$	$	$
31 August 2016	243,118	(165,948)	77,170	243,118	(165,948)	77,170
31 August 2015	187,697	(9,829)	177,868	187,697	(9,829)	177,868

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Notes to the Financial Statements
For the year ended 31 August 2016

24. Financial instruments risk (continued)

24.4 Credit risk analysis
Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example receivables to customers and placing deposits. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised below:

	2016	2015
	$	$
Classes of financial assets – carrying amounts:		
- Cash and cash equivalents	7,967,080	6,533,058
- Trade and other receivables	4,700,609	4,732,869
- Security deposits	8,648,286	3,012,644
- Other investments	600,000	285,000
	21,915,975	14,563,571

The Group continuously monitors defaults of customers, merchants and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 August reporting dates under review are of good credit quality.

At 31 August the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 August, analysed by the length of time past due, are:

	2016	2015
	$	$
Not more than 3 months	36,305	2,530
Total	36,305	2,530

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The Group has always taken the credit risk of its merchants from its partner acquiring banks. This exposes the Group to the contractual ability of merchant to deliver the goods and services as advertised and/or refund the associated payment.

Notes to the Financial Statements

For the year ended 31 August 2016

24. Financial instruments risk (continued)

To mitigate this exposure eMerchantPay employs a number of tools including a significant investment in fraud and risk protection tools, the adoption of rolling credit reserves and the delay in settlement to merchants.

In the accounts for the year there is $81,685 (2015: $20,272) for merchant credit write-off.

The credit risk for cash and cash equivalents and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

24.5 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available cash balances to identify any potential shortfalls.

The Group's objective is to maintain cash to meet its liquidity requirements for its day to day activities and to fund on-going investment. This objective was met for the reporting periods.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Note 24) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within two months.

As at 31 August 2016, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	
	Within 6 months	6 to 12 months
Trade and other payables	$13,461,318	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows

	Current	
	Within 6 months	6 to 12 months
Trade and other payables	$12,787,954	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Notes to the Financial Statements

For the year ended 31 August 2016

25. Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the level within the hierarchy of the financial assets and liabilities measured at fair value on a recurring basis at 31 August 2016 and 31 August 2015:

31 August 2016	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Listed Securities	2,169,394	-	-	2,169,394
Security Deposits	-	-	8,648,286	8,648,286
Other investment	-	-	600,000	600,000
	2,169,394		9,248,286	11,417,680
Financial liabilities				
Other	-	-	(13,461,318)	(13,461,318)
Net Fair Value	**2,169,394**	-	**(4,213,032)**	**(2,043,638)**

31 August 2015	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Listed Securities	-	-	-	-
Security Deposits	-	-	3,012,644	3,012,644
Other investment	-	-	285,000	285,000
	-		3,297,644	3,297,644
Financial liabilities				
Other	-	-	(12,787,954)	(12,787,954)
Net Fair Value	-	-	(9,490,310)	(9,490,310)

Notes to the Financial Statements

For the year ended 31 August 2016

26. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2016	2015
	$	$
Total equity	**25,175,126**	15,245,962
Cash and cash equivalents	**7,967,080**	6,533,058
Capital	**33,142,206**	21,779,020
Total equity	**25,175,126**	15,245,962
Overall financing	**25,175,126**	15,245,962
Capital-to-overall financing ratio	**0.76**	0.70

27. Contingent liability

Total contingent liabilities at 31 August 2016 amounted to $1.577m (2015: $1.449m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met.

28. Post-reporting date events

No adjusting events have occurred between the 31 August reporting date and the date of authorisation.

Notes to the Financial Statements

For the year ended 31 August 2016

29. Authorisation of financial statements

The consolidated financial statements for the year ended 31 August 2016 (including comparatives) were approved by the board of directors on 19 December 2016.

S R Dickson
Director

Company statement of financial position

For the year ended 31 August 2016

	Notes	**2016**	2015
Fixed assets		**$**	$
Intangible assets	11	69,271	-
Investments	5	11,417,682	3,297,646
		11,486,953	3,297,646
Current assets			
Inventories		23,979	-
Debtors	32	20,939,425	18,877,700
Cash at bank		7,967,080	6,472,102
		28,930,484	25,349,802
Creditors: amounts falling due within one year	33	(15,042,643)	(13,545,942)
Net current assets		13,887,841	11,803,860
Total assets less current liabilities		25,374,794	15,101,500
Provision for liabilities	34	(402,960)	-
Net assets		24,971,834	15,101,506
Capital and Reserves			
Called up share capital	16	2	2
Profit and loss account	35	24,871,182	15,101,504
Other reserves	35	100,650	-
Shareholders' funds	36	24,971,834	15,101,506

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 December 2016.

S R Dickson
Director

The notes on pages 48 to 52 form part of these financial statements.

Notes to the company financial statements

30. Accounting Policies

30.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and applicable company law.

Due to the nature of the Company's business and given that a significant proportion of the Company's income is derived in US Dollars the financial statements are presented in US Dollars.

30.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report. The Company meets its day to day working capital requirements through its own funds held in corporate accounts with its' bankers. The current economic conditions create uncertainty particularly over the level of demand for the Company's services and the exchange rate between US Dollar, Sterling and Euro and thus the consequence for the cost base for the Company's activities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

30.3 Investments

Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

30.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Notes to the company financial statements

30. Accounting Policies (continued)

30.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and loss account.

30.6 Financial instruments

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

30.7 Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurements, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Notes to the company financial statements

31. Fixed asset investments

	Listed Investments	Investments in subsidiary companies	Other long-term financial assets	Security deposits	Total
	$	$	$	$	$
Cost or valuation					
At 1 September 2015	-	2	285,000	3,012,644	3,297,646
Additions	2,046,650	-	315,000	5,722,336	8,083,986
Foreign exchange movement	-	-	-	(74,348)	(74,348)
Negative interest on security deposits	-	-	-	(12,346)	(12,346)
Revaluation of listed investments	122,744	-	-	-	122,744
At 31 August 2016	2,169,394	2	600,000	8,648,286	11,417,682
Net book value					
At 31 August 2016	**2,169,394**	**2**	**600,000**	**8,648,286**	**11,417,682**
At 31 August 2015	-	2	285,000	3,012,644	3,297,646

Please see note 5 for details of the Company's subsidiary undertakings.

32. Debtors

	2016	2015
	$	$
Trade debtors	4,689,106	4,731,240
Amounts owed by related parties	13,456,275	13,332,581
Other debtors	2,794,044	813,879
	20,939,425	18,877,700

Notes to the company financial statements

33. Creditors: Amount falling due within one year

	2016	2015
	$	$
Trade creditors	267,823	318,171
Amounts owed to related parties	526,847	490,788
Tax payable	1,434,305	535,127
Other creditors	570,945	22,259
Accruals and deferred income	12,242,723	12,179,597
	15,042,643	13,545,942

34. Deferred tax

	2016	2015
	$	$
At the beginning of the year	-	-
Charge in year	(402,960)	-
At end of year	**(402,960)**	-

The deferred tax balance is made up as follows:

Accelerated capital allowances	(12,489)	-
Short term temporary differences	(22,094)	-
Capital gains	(368,377)	-
	(402,960)	-

35. Reserves

	Other reserves	**Profit and loss account**
	$	$
At 1 September 2015	-	15,101,504
Profit for the financial year	-	9,769,678
Revaluation of listed investments	100,650	-
At 31 August 2016	100,650	24,871,182

36. Reconciliation of movement in shareholders' funds

	2016	2015
	$	$
Opening shareholders' funds	15,101,506	11,194,951
Profit for the financial year	9,769,678	3,906,555
Revaluation of listed investments	100,650	-
Closing shareholders' funds	24,971,834	15,101,506

The profit for the year dealt with in the accounts of the Company was $9,769,678 (2015: $3,906,555).

37. Contingent liability

Total contingent liabilities at 31 August 2016 amounted to $1.577m (2015: $1.449m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met.