Financial Statements
emerchantpay Limited

For the year ended 31 August 2021

Registered number: 05153270

Company Information

Directors	S R Dickson J Reynisson A R Goslar
Company secretary	A C Robinson
Registered number	05153270
Registered office	29 Howard Street North Shields Tyne & Wear NE30 1AR
Independent auditors	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 30 Finsbury Square London EC2A 1AG

Contents

emerchantpay Limited

STRATEGIC REPORT

Principal Activity

The principal activity of the Group continues to be 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 Group continues to expand its international capabilities through the addition of new payment solutions, both to pay in and pay out, as well as continuing to grow its geographic presence.

The Group leverages services and products provided by other companies within the wider emerchantpay Group Limited group of companies, this includes operational support from the Group's operations company, emerchantpay OOD in Sofia, Bulgaria and sales, marketing and financial control from emerchantpay UK Services Limited in the UK.

Market focus

The Group follows the emerchantpay Group Limited's strategy of being a one-stop shop for payment solutions for merchants and partners alike continues. Payment solutions globally continue to be added to the Group's offering in line with demand of its target markets. International payment solutions have been launched in India and Brazil for merchants wanting to enter those markets. Solutions are be integrated for Mexico and Argentina as well as South East Asia.

While having a select number of specific target sectors the Group supports payment requirements and seeks solutions for all business sectors so long as they are legal. The Group is sensitive to the everchanging regulatory environment and political and cultural sensitivities so the Group's technology has been developed with the capability to manage these factors in multiple ways.

Brexit

On 31 January 2020 the UK left the European Union with a Withdrawal Agreement ("Brexit"). The Withdrawal Agreement included a transition period, which ended on 31 December 2020. During this period EU law continued to apply in the UK, including the passporting regime. The passporting regime permitted electronic money institutions (under the Electronic Money Directive 2009/110/EC) to access the single market for financial services without the need for further authorisation. The UK's participation in the passporting regime ended on 31 December 2020. Up to and including the 31st December 2020 emerchantpay Limited, the licenced entity in the Group, passported its electronic money and payment services permissions across the EEA. From 31 December 2020, emerchantpay Limited could no longer rely on its UK permission to issue e-money and provide payment services throughout the single market, to the extent it had relied on such permission in the relevant countries.

emerchantpay Limited continues to operate its business under and in compliance with its UK permission. It acknowledges the regulatory framework that could apply to its activities in relation to its customers outside of the UK. During the period 1 January 2021 to December 2021 there is a risk in certain jurisdictions that the local supervisory authority may consider the emerchantpay business did not comply with national regulations. To date it has not received notice from any supervisory authority of any such potential non-compliance.

Consequently, on 11 January 2021 the Group had entered into an arrangement with a Lithuanian entity that has similar electronic money and payment services permissions passported across the EEA to take on the European merchants of its acquiring business under a BIN sponsorship agreement and an outsourcing agreement. The Lithuanian entity is authorised by the Bank of Lithuania as an electronic money institution to issue electronic money and provide certain payment services. This agreement was entered into to support the group's activities with customers outside of the UK and operate in accordance applicable regulations. Both entities had jointly initiated the sponsorship of the Lithuanian entity as an associate member of the card schemes under emerchantpay Limited's principal membership, the opening of multiple currency safeguarding bank accounts with an approved credit institution and the necessary approvals from the Bank of Lithuania.

STRATEGIC REPORT *(continued)*

These were all completed by August 2021 and therefore during the period from 1 January 2021 to 31 August 2021 emerchantpay Limited operated under and in compliance with its UK permissions. In the period from 1 September 2021 to 1 December 2021 all of the existing portfolio of European merchants were boarded by the Lithuanian firm along with newly acquired merchants.

Business activities and performance indicators

The Group's business activity continues to be structured around three profit centres reaching across legal entities. These are:

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

Card Acquirer – currently focussed on the UK and European markets offering debit and credit card acquiring services to merchants in the UK and Europe. Merchants are sourced through PSPs and ISO's, including the emerchantpay PSP, both for e-commerce and card present. This profit centre is operated under the brand name E-Comprocessing.

eWallet and prepaid card – the eWallet has been successfully launched and has attracted a significant number of merchants and international consumers. It is now contributing positively to the Group's results. The initial prepaid card offering was limited and has been withdrawn. The Group will launch at the end of 2021 a new prepaid and debit card product targeting fintech organisations.

Processing volumes continue to be the key metric by which the Group's performance is monitored, followed by margin. These drive the resourcing requirements and therefore the expense base and the ultimate profitability of the Group. The financial year 2020/21 has been one of great achievement with the processing volumes of the PSP division have grown by 85.7%, for the card acquiring division by 127.3% and the e-money division by 2,776.9%. The Group's gross profit (revenue less direct expenses) has increased by 30.1%. Gross profit margin has decreased from 47.35% to 35.61% as a result of an increase in focus on lower to medium risk merchants generating a lower margin in the acquiring division.

Volume	**2021**	**2020**	**Increase**
	$000s	**$000s**	**%**
PSP activity	2,083,104	1,121,686	85.7
Acquiring activity	3,579,790	1,575,160	127.3
E-money activity	6,962	242	2,776.9
Total	**5,669,856**	**2,697,088**	**110.2**

	2021	**2020**	**Increase**
	$000s	**$000s**	**%**
Gross Profit	53,672,420	41,254,408	30.1
Gross Profit Margin	35.61%	47.35%	

2020/21 has clearly been a year of achievement and the Board recognises that some of this is due to a market surge in crypto-currency activity in Q2 of 2021 but with the ongoing delivery of existing growth plans and new opportunities being developed the Board are confident that the Group is well positioned to continue its growth and development in the coming years.

STRATEGIC REPORT (continued)

Business review

This year's financial performance of the core businesses has been strong with operating profits increasing from $5.5 million to $9.5 million with significant growth seen in all business lines. The Group moves into the new financial year in a strong position with a range of new products and geographies coming online.

The Group's strategy of adding at least one major card acquiring partners to its portfolio each year continues. This along with delivering merchant portfolios in line with acquirer expectations has enabled the continued growth of the higher risk and higher margined sectors offsetting the growth in the lower risk and margin sectors thereby protecting the Groups revenues.

The Directors and Senior Management Team are committed to the ongoing delivery of additional product and solution capabilities and have re-arranged certain responsibilities to put appropriate focus and expertise to specific activities. The strength and capability of the group continues to grow and develop.

Review of Trading Results

Across the Group processing volumes increased by $2,972.8 million (110.2%), revenues increased by $63.6 million (73.0%) while operating profits increased by $4.0 million (73.0%). Profit before tax increased by $3.8 million (up 67.0%) to $9.5 million.

The Group's cash and bank balances are $31.3 million (2020 $25.6 million). The equity of the Group now stands at $51.9 million (2020 $51.6 million).

Position of the Group at Year End

The Group ended the financial year 2021 in a strong position with extensive plans for the continued growth of the business lines and funds to support that growth. The Directors recognise the need for ongoing business development and feel that within the existing plans there is substantial potential for further growth in existing markets and opportunities for expansion into new markets in the coming years.

The PSP business will continue to grow as the Group develops relationships with new acquiring partners, additional APM's and continues its expansion into new geographies.

The Acquiring business has continued to grow and is expected to grow in the future as it adds PSPs/ISOs to its portfolio. These are now bringing a wider and more balanced range of merchants which is facilitating the growth.

The eWallet is now contributing to the Group's earning and it is expected that, now there is a degree of traction, this will grow significantly to be a major contributor in future years. Significant demand has been seen for the prepaid and debit card offering and it is expected that this will quickly contribute.

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 growth plans of the business through geographic spread and the continued addition of new payment solutions are the best protection against adverse economic or other risks.

STRATEGIC REPORT (continued)

Covid19 Risk

The Group has, in all locations, addressed the problems caused by the Covid-19 pandemic. In all locations the Group follows at a minimum the local Government legislation and guidance. This includes enabling all staff to work from home, enhanced cleaning and disinfection in office premises and adherence to space requirements.

The Group is committed to supporting its staff throughout the pandemic and will continue to ensure that best practice is followed.

The Group has continued to deliver against its strategy successfully and the latest financial year has seen substantial growth in all areas. The risks associated with extended deliver merchants have been successfully managed through communication and co-operation and no material losses have resulted.

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 its own payment gateway which is being used in two instances. Firstly, it is the front-end for the acquiring business connecting a number of ISO's and PSP's to the processor, Omnipay. Secondly the second instance is used by the PSP to connect all merchants to the contracted payment solutions. Both instances of the gateway have significant risk management capabilities which are essential in the management of risk exposure. The PSP instance of the gateway is also used to route all inward and outbound payment transaction for the e-Wallet.

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 in the last few years as unfortunately commonly experienced by other PSP's and e-commerce merchants. 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.

The regulatory risk relating to Brexit has been addressed within the Brexit section of the Strategic Report.

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 liability 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 $948,388 (2020 $232,657) for merchant credit write-off.

STRATEGIC REPORT (continued)

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.

Financial Risk

emerchantpay operates across the globe and in multiple currencies so 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

Stephen Dickson

S R Dickson

Director

Date: 4 February 2022

Directors' report

For the year ended 31 August 2021

The directors present their report and the financial statements for the year ended 31 August 2021.

Results and dividends

The profit for the year, after taxation, amounted to $7,694,473 (2020: $5,513,643). Dividends of $7,500,000 were declared and paid in the year under review (2020: $NIL).

Directors

The directors who served during the year were:

J Reynisson

S R Dickson

A R Goslar

Future developments

The directors expect the Group to continue to develop and grow profitably as the current business lines continue to grow and geographies and products are launched. This is highlighted within the 'Market Focus' section of the Strategic Report.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Impact of Covid 19

The board can report that there has been no discernible negative impact on the Group's business from Covid-19, although it remains alert to that possibility.

Our results for the year ended 31 August 2021 show that processing volumes grew over year ended 31 August 2020 by $2,972.8 million, a growth of 110% as the group has continued to deliver on its growth and development plans.

Volumes and margins for the current financial year continue to be in line with our expectations, and not withstanding macroeconomic and political uncertainty, we expect to deliver further progress this year.

All staff members of the Group are enabled to work from home and we are supporting good hygiene and social distancing for all in our offices where appropriate.

Indemnity provision

The ultimate parent company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 easiest.

DIRECTORS REPORT (continued)

Post balance sheet events

In early December 2021 the company injected €12 million into its affiliated company, UAB Phoenix Payments for required capital restructuring to ensure the ongoing strength of the business. UAB Phoenix Payments is the Lithuanian company supporting emerchantpay's European acquiring portfolio and its ongoing operation is critical to the Group.

There have been no other significant events affecting the Group since the year end.

Directors' Section 172(1) Statement

The Board acknowledges its responsibility under section 172(1) of the Companies Act 2006 and below sets out the key processes and considerations that demonstrate how the Directors promote the success of the Company.

The below statement sets out the requirements of the Act, section 172(1), and note how the Directors discharge their duties.

The Board meets on a regular basis with information circulate in advance to allow the Directors to fully understand the performance and position of the Group, alongside matters arising for decision. Factors (a) to (f) below, are all taken into account during the decision making process.

a) The likely consequences of any decision in the long term

Supporting each decision, the Board review relevant information including financial forecasts, due diligence, as well as non-financial factors and how the decision fits with the strategy of the Group.

The Group has a long term strategic plan, as detailed in the Market Focus section of the Group Strategic Report, which is a financial plan supported by market and product development plans. Strategy is regularly reviewed by the board and strategic thinking is intrinsic to future decision making processes. Where appropriate, the Board will delegate responsibility to the management team.

b) The interest of the Company's employees

The Directors actively consider the interest of employees in all major decisions. People are regularly discussed at the Board level where attrition rates, reasons for leaving and employee satisfaction are discussed.

The Directors encourage feedback from all levels of the business and take this into account when making decisions.

c) The need to foster the Company's business relationships with suppliers, customers and others

The Directors have identified the stakeholders of the Group and review regularly to ensure adequate communication and engagement is ongoing with each group.

The Group's stated Strategic priority is to become a one-stop shop for payment solutions for merchants and partners alike. Page 1, within the Strategic Report, discusses how the Group continues to develop different markets and products to meet this goal. We maintain strong working relationships with all our supplies including the card schemes, acquiring banks and ISO's. For key suppliers we perform diligence around their financial stability and viability.

d) The impact of the Company's operations on the community and environment

The Group takes its responsibility within the community and wider environment seriously and acknowledge that more can be done. emerchantpay is a global group and has based itself in strategic locations for the long term.

The company has a relatively low carbon footprint, but acknowledge improvements can always be made and the Directors encourage video calling rather than air travel. The Group also looks to engage with local environmental schemes such as the UK Cycle to Work Scheme.

e) The desirability of the company maintain a reputation for high standards of business conduct

The Directors and the Company are committed to high standards of business conduct and governance.

DIRECTORS REPORT (continued)

As the Groups strategic priority is to become a one-stop shop for payment solutions for merchants and partners alike the Directors believe the wider reputation and cultural conduct is a big part of product reputation.

Where there is a need to seek advice on particular issues, the Board will seek advice from its lawyers and nominated advisors to ensure the consideration of business conduct, and its reputation is maintained.

f) **The need to act fairly between members of the Group**
The Group is 100% owned by the parent emerchantpay Group limited.

Streamlined Energy and Carbon Reporting (SECR):

No energy is used by the emerchantpay Limited Group. All UK offices are held by the wider emerchantpay Group Limited Group of companies which the Group leverages services and products from. This includes operational support from the Group's sales, marketing and financial control from emerchantpay UK Services Limited in the UK.

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 strategic report on page 1 to 5.

The Group meets its day to day working capital requirements through cash flow from profits which together with existing funds held in corporate accounts with its bankers are sufficient to fund present commitments. Note 29 to the financial statements includes the Group's objectives, policies and processes for managing its exposure to market risk, foreign currency risk, credit risk and liquidity risk. Note 30 includes details of its financial instruments and Note 31 includes the Group's objectives, policies and processes for managing its capital.

The Group's underlying operating business is cash generative. As at the balance sheet date, the Group had cash balances of $31.3m.

Following Brexit on 1 January 2021 the Group has put in place BIN rental and outsourcing agreements with a Lithuanian e-money institution. These have gone through the approval process with the Bank of Lithuania and the team and infrastructure put in place. This has included emerchantpay Limited, as a principal member of Visa, MasterCard and UnionPay International, sponsoring associate membership to these card schemes for the Lithuanian entity. All elements were in place as at the 31 August 2021 and from that date the migration of the existing portfolio has commenced.

emerchantpay Limited continues to operate its business under and in compliance with its UK permission. It acknowledges the regulatory framework that could apply to its activities in relation to its customers outside of the UK. During the period 1 January 2021 to December 2021 there is a risk in certain jurisdictions that the local supervisory authority may consider the emerchantpay business did not comply with national regulations. To date it has not received notice from any supervisory authority of any such potential non-compliance.

Covid-19 has had a minimal impact of the going concern viability of the Group although the directors remain alert to ongoing developments.

The Directors have prepared a cash flow forecast taking into account all expected cash flows for 12 months from the date of signing these financial statements. The Group has run an extreme downside scenario of an immediate reduction in sales volume, and therefore revenue, to nil. This is done to identify risks to liquidity. After applying the downside sensitivities, the Directors have not identified any material uncertainties to the group's ability to continue to operate over a period of at least 12 months from the date of approval of the financial statements. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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

Stephen Dickson
S Dickson

Director

Date: 4 February 2022

Directors' responsibility statement

For the year ended 31 August 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Stephen Dickson

S Dickson

Director

Date: 4 February 2022

Independent auditor's report

Independent auditor's report to the members of emerchantpay Limited

Opinion

We have audited the financial statements of emerchantpay Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2021, which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the basis for qualified opinion section of our report and the possible effects on the corresponding figures of that matter:

- 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 2021 and of the group's profit and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent auditor's report

Independent auditor's report to the members of emerchantpay Limited

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Independent auditor's report

(continued)

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks being international accounting standards, the Companies Act 2006, the FCA rules and guidance, Electronic Money Regulations 2011 and the relevant tax compliance regulations in the jurisdictions in which the company operates;
- We understood how the group and company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and consultation with an external legal advisor on potential risks;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of intangible assets;
  - the occurrence of revenue;
  - accounting for new contracts; and
  - the journal entry process;

Independent auditor's report

(continued)

- Our audit procedures for significant components included in the scope of our audit involved: journal entry testing, with a focus on year end journals and journals indicating large or unusual transactions based on our understanding of the business; challenging assumptions and judgements made by management in its significant accounting estimates and judgements and review of the accounting for revenue and new contracts. In addition, we completed audit procedures to conclude on the compliance of disclosures in the accounts with applicable financial reporting requirements.

  These audit procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the client operates
  - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
    - the provisions of the applicable legislation
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - the applicable statutory provisions
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud;

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions
  - the entity's control environment

Use of our report

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

Grant Thornton UK LLP

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
4 February 2022

Consolidated statement of profit or loss

For the year ended 31 August 2021

	Notes	2021	2020
		$	$
Revenue	7	150,702,232	87,120,593
Other income		18,226	-
Direct expenses		(97,029,812)	(45,866,185)
Employee benefits expenses	8	(1,455,709)	(942,592)
Amortisation of non-financial assets	9	(9,694)	(8,144)
Other expenses		(42,738,384)	(34,819,779)
Operating profit	9	**9,486,859**	**5,483,893**
Finance costs	10	(154,977)	(21,951)
Finance income	10	154,965	218,321
Profit before tax		**9,486,847**	**5,680,263**
Tax expense	11	(1,792,374)	(166,620)
Profit for the year		**7,694,473**	**5,513,643**

All amounts relate to continuing operations.

The notes on pages 23 to 58 form part of these financial statements.

Consolidated statement of Comprehensive Income

For the year ended 31 August 2021

		2021	2020
		$	$
Profit for the year		7,694,473	5,513,643
Other Comprehensive Income:			
Items that can be reclassified subsequently to profit or loss			
Fair value through other comprehensive income financial asset gains	**14**	435,678	763,767
Income tax relating to items that will be reclassified	**16**	(303,094)	(194,566)
Other comprehensive income for the year, net of tax		**132,584**	**569,201**
Total comprehensive income for the year		**7,827,057**	**6,082,844**

The notes on pages 23 to 58 form part of these financial statements.

Consolidated statement of financial position

As at 31 August 2021

	Notes	2021	2020
		$	$
Assets			
Non-current			
Intangible assets	12	186,180	14,159
Property, plant and equipment	13	1,732	-
Other long-term financial assets	14	19,075,968	19,499,608
Other long-term assets	7	79,986	26,891
Non-current assets		**19,343,866**	**19,540,658**
Current			
Inventories	17	729,774	295,247
Trade and other receivables	18	50,504,365	38,686,920
Other short-term financial assets	19	-	350,000
Corporation tax recoverable		232,464	942,134
Cash and cash equivalents	20	31,257,004	25,625,307
Current assets		**82,723,607**	**65,899,608**
Total assets		**102,067,473**	**85,440,266**

Consolidated statement of financial position (continued)

As at 31 August 2021

	Notes	2021	2020
		$	$
Equity and liabilities			
Equity			
Share capital	**21**	2	2
Retained earnings		49,160,150	48,965,677
Other components of equity		2,776,040	2,643,456
Total equity		**51,936,192**	51,609,135
Liabilities			
Non-current			
Deferred tax liabilities	**16**	1,476,190	1,006,441
Non-current liabilities		**1,476,190**	**1,006,441**
Current			
Pension and other employee obligation	**22**	429,785	176,434
Trade and other payables	**23**	48,225,306	32,648,256
Current tax liabilities		-	-
Current liabilities		**48,655,091**	**32,824,690**
Total liabilities		**50,131,281**	**33,831,131**
Total equity and liabilities		**102,067,473**	**85,440,266**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 February 2022.

Stephen Dickson

S R Dickson
Director

The notes on pages 23 to 58 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2021

	Share capital	Retained earnings	Other components of equity	Total equity
	$	$	$	$
Balance at 1 September 2019	**2**	43,452,034	2,074,254	45,526,290
Profit for the year	-	5,513,643	-	5,513,643
Other Comprehensive Income	-	-	569,202	569,202
Balance at 31 August 2020 and 1 September 2020	**2**	48,965,677	2,643,456	51,609,135
Profit for the year	-	7,694,473	-	7,694,473
Dividends Paid	-	(7,500,000)	-	(7,500,000)
Other comprehensive income	-	-	132,584	132,584
Balance at 31 August 2021	**2**	**49,160,150**	**2,776,040**	**51,936,192**

The notes on pages 23 to 58 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 August 2021

	Notes	2021	2020
		$	$
Operating activities			
Profit before tax		9,486,847	5,680,263
Non-cash flow adjustments	**26**	141,944	(1,132,139)
Net changes in working capital	**26**	3,522,015	7,082,981
Taxes paid		(916,049)	(1,206,295)
Net cash from operating activities		**12,234,757**	**10,424,810**
Investing activities			
Purchase of property, plant and equipment	**13**	(2,398)	-
Purchase of other intangible assets	**12**	(181,049)	(7,959)
Purchase of other long term financial assets	**14**	(700,000)	(815,000)
Proceeds on maturity of other long-term financial assets	**14**	1,408,434	550,000
Purchase of other short-term financial assets	**19**	-	(350,000)
Proceeds on maturity of other short-term financial assets	**19**	350,000	-
Interest received		112,317	169,373
Proceeds on Visa Inc share conversion	**10**	15,126	-
Dividends received	**10**	30,840	28,500
Net cash used in investing activities		**1,033,270**	**(425,086)**
Financing activities			
Interest paid	**10**	(154,977)	(21,951)
Dividends paid	**25**	(7,500,000)	-
Net cash used in financing activities		**(7,654,977)**	**(21,951)**
Net change in cash and cash equivalents		**5,613,050**	**9,977,773**
Cash and cash equivalents, beginning of year	**20**	25,625,307	15,521,498
Exchange differences on cash and cash equivalents		18,647	126,036
Cash and cash equivalents, end of year	**20**	**31,257,004**	**25,625,307**

The notes on pages 23 to 58 form part of these financial statements.

Company balance sheet

As at 31 August 2021

	Notes	2021	2020
Fixed Assets		$	$
Intangible assets	12	186,180	14,159
Investments	15	19,608,123	19,644,666
Other long-term assets	7	79,986	26,891
		19,874,289	**19,685,716**
Current assets			
Inventories	17	729,774	295,247
Debtors	18	50,439,028	38,943,385
Other short-term assets	19	-	350,000
Corporation tax recoverable		232,464	935,406
Cash at Bank		30,613,932	25,174,331
		82,015,198	**65,698,369**
Creditors: amounts falling due within one year	23	**(48,297,994)**	**(32,804,784)**
Net current assets		**33,717,204**	**32,893,583**
Total assets less current liabilities		**53,591,493**	**52,579,301**
Provision for deferred tax liabilities	16	(1,476,190)	(1,006,441)
Net assets		**52,115,303**	**51,572,860**
Capital and Reserves			
Called up share capital	21	2	2
Profit and loss account		49,339,260	48,929,402
Other reserves		2,776,041	2,643,456
Shareholders' funds		**52,115,303**	**51,572,860**

emerchantpay Limited (the 'Company') has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive income in the financial statements. The company profit for the year ended 31 August 2021 is $7,909,858 (2020: $5,583,307).

The notes on pages 23 to 58 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 February 2022.

Stephen Dickson

S R Dickson

Director

Company statement of changes in equity

For the year ended 31 August 2021

	Share capital	Retained earnings	Other components of equity	Total equity
	$	$	$	$
Balance at 31 August 2019 and 1 September 2019	**2**	43,346,095	2,074,254	45,420,351
Profit for the year	-	5,583,307	-	5,583,307
Other Comprehensive Income	-	-	569,202	569,202
Balance at 31 August 2020	**2**	48,929,402	2,643,456	51,572,860
Profit for the year	-	7,909,858	-	7,909,858
Dividend paid	-	(7,500,000)	-	(7,500,000)
Other Comprehensive Income	-	-	132,585	132,585
Balance at 31 August 2021	**2**	**49,339,260**	**32,776,041**	**52,115,303**

The notes on pages 23 to 58 form part of these financial statements.

Notes to the financial Statements

For the year ended 31 August 2021

1 Nature of operations

The principal activities of the Group are 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 and going concern assumption

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 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 in conformity with the requirements of the Companies Act 2006.

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 Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in 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 Group's financial statements.

4 New and revised standards or Interpretations

4.1 New Standards adopted as at 1 September 2020

New accounting pronouncements which have become effective from 1 September 2020 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16,
- IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Notes to the financial Statements

For the year ended 31 August 2021

5 Summary of accounting policies

5.1 Overall considerations

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

5.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 August 2021. 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, except the ones shown below. 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.

Subsidiary	**Country**	**Year end**
emerchantpay Mauritius Limited	Mauritius	31 December
emerchantpay do Brazil – Cobrancas LTDA	Brazil	31 December
EMPay Mexico S.A. de C.V.	Mexico	31 December
emerchantpay SAS	Argentina	31 December

5.3 Investments in subsidiaries

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

5.4 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 strategic report on page 1 to 5.

The Group meets its day to day working capital requirements through cash flow from profits which together with existing funds held in corporate accounts with its bankers are sufficient to fund present commitments. Note 29 to the financial statements includes the Group's objectives, policies and processes for managing its exposure to market risk, foreign currency risk, credit risk and liquidity risk. Note 30 includes details of its financial instruments and Note 31 includes the Group's objectives, policies and processes for managing its capital.

The Group's underlying operating business is cash generative. As at the balance sheet date, the Group had cash balances of $31.3m.

Following Brexit on 1 January 2021 the Group has put in place BIN rental and outsourcing agreements with a Lithuanian e-money institution. These have gone through the approval process with the Bank of Lithuania and the team and infrastructure put in place. This has included emerchantpay Limited, as a principal member of Visa, MasterCard and UnionPay International, sponsoring associate membership to these card schemes for the Lithuanian entity. All elements were in place as at the 31 August 2021 and from that date the migration of the existing portfolio has commenced.

emerchantpay Limited continues to operate its business under and in compliance with its UK permission. It acknowledges the regulatory framework that could apply to its activities in relation to its customers outside of the UK. During the period 1 January 2021 to December 2021 there is a risk in certain jurisdictions that the local supervisory authority may consider the emerchantpay business did not comply with national regulations. To date it has not received notice from any supervisory authority of any such potential non-compliance.

Covid-19 has had a minimal impact of the going concern viability of the Group although the directors remain alert to ongoing developments.

The Directors have prepared a cash flow forecast taking into account all expected cash flows for 12 months from the date of signing these financial statements. The Group has run an extreme downside scenario of an immediate reduction in sales volume, and therefore revenue, to nil. This is done to identify risks to liquidity. After applying the downside sensitivities, the Directors have not identified any material uncertainties to the group's ability to continue to operate over a period of at least 12 months from the date of approval of the financial statements. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

5.5 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.

Notes to the financial Statements

For the year ended 31 August 2021

5.6 Revenue

Revenue is recognised when a customer obtains control of promised services or goods. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled to receive in exchange for these services. The Group has contractual agreements with its customers that set forth the general terms and conditions of the relationship including the line item pricing, payment terms and contract duration. Revenue is recognised when the obligation under the terms of the Group's contract with its customer is satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The Group generates revenues primarily by processing electronic payment transactions.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group sometimes enters into transactions involving a range of the Group's products and services, for example for the delivery of point of sale card terminal hardware, software and related payment services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Goods and services transferred over time shown within Note 7 are Payment Terminals sold on instalment plans.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group has five main types of contracts with customers:-

1 Contracts with customers to provide Payment Services

2 Contracts with customers to provide Acquiring Services

3 Contracts with customers to provide Payment Terminals

4 Contracts with customers to provide eWallet services

5 Contracts with customers to provide Card Issuing services

Over 99% of the Group's revenue is derived from the first two types of contracts, so any revenues derived from the other types of contract are not considered material in determining when revenue should be recognised under IFRS 15.

Contracts with customers to provide Payment Services

Revenue from contacts with customers to provide Payment Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Group's performance as the Group performs. The service provided is carried out on a continuous basis. The group's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Group followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Payment Services revenue is reported on a net basis as the Group acts as an agent in the transaction.

Contracts with customers to provide Acquiring Services

Revenue from contacts with customers to provide Acquiring Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Group's performance as the Group performs. The service provided is carried out on a continuous basis. The group's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Group followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Acquiring Services revenue is reported on a gross basis as the Group acts as a principal in the transaction.

Ancillary Revenue

Ancillary Revenue relates to additional fees that are charged to customers when pay-outs are made following a currency conversion.

The revenue recognition policy is to recognise the fees at the point in time the currency conversion is made.

5.7 Operating expenses

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

Notes to the financial Statements

For the year ended 31 August 2021

5.8 Intangible assets

Recognition of intangible assets

Acquired software

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

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 5.8 The following useful lives are applied:

- Software: 3-5 years

Assets under construction are amortised from the point at which they are brought into use.

5.9 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.

Intangible assets which are not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets or cash generating units which are being amortised 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.

Notes to the financial Statements

For the year ended 31 August 2021

5.10 Property, plant and equipment

IT equipment

IT equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. IT equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT equipment. The following useful life is applied:

- IT equipment: 3-5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

5.11 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and

are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.

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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.
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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

• they are held under a business model whose objective it is "hold to collect" the associated cash

flows and sell and

• the contractual terms of the financial assets give rise to cash flows that are solely payments of

principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

The category also contains equity investments. The Group accounts for the investments at FVOCI and made the irrevocable election to account for the investment listed equity securities at fair value through other comprehensive income (FVOCI).

Notes to the financial Statements

For the year ended 31 August 2021

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirement includes loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is not dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 29.4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

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.

Notes to the financial Statements

For the year ended 31 August 2021

5.12 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.

5.13 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.

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.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in 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.

5.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Other Components of Equity comprises the gains on revaluation of listed equity investments.

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

5.16 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.

5.17 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 (see Note 12).

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 (see Note 16).

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 the 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 (see Note 7).

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. (see Note 29.3 for detail of the Groups exposure to currency exchange rate movements).

Notes to the financial Statements

For the year ended 31 August 2021

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.

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Impairment of Intangible assets

Intangible assets include acquired software licenses and assets under construction. These costs are assessed based on management's view of the internal and external development costs relating to time spent on projects that enhance the assets, supporting by internal time recording and considering the requirements of IAS 38 'Intangible assets'. The costs are amortised over the useful life of the asset. The carrying value of acquired software licenses is tested for impairment when there is an indication the assets might be impaired. The carrying value of assets under construction is tested annually for impairment. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change which could have an adverse effect on the future results of the group. An impairment review of the asset under construction was performed by management through a discounted cash flow covering 5 years, this calculation requires estimated by management including management's expectations of future growth in revenue, profit margins, cash flows and discount rates. It was concluded that no impairment is required (see Note 12).

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 29).

Provisions, contingent assets and contingent liabilities

A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax assets. The Group's measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax (see note 16).

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 (see note 30).

Notes to the financial Statements

For the year ended 31 August 2021

6 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 of incorporation and principle place of business	Percentage Shareholding	Principle activity
EMPPay Limited	United Kingdom	100%	Provides payment solutions to small merchants
emerchantpay Netherlands BV	Netherlands	100%	Dormant
Bolam Ltd	Kenya	100%	Payment services in local geography
Prime Pay KK	Japan	100%	Payment services in local geography
emerchantpay Mauritius Limited	Mauritius	100%	Licensed payment services provider
Net Prime Limited	Hong Kong	100%	Dormant
INSOnline Ltd	Hong Kong	100%	Dormant
emerchantpay do Brazil – Cobrancas LTDA.	Brazil	100%	Payment services in local geography

Shares held by emerchantpay do Brazil – Cobrancas LTDA

Company Name	Country of incorporation and principal place of business	Percentage Shareholding	Principal activity
EMPay Mexico S.A. de C.V.	Mexico	100%	Dormant
emerchantpay SAS	Argentina	100%	Dormant

Notes to the financial Statements

For the year ended 31 August 2021

7 Revenue

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2021	2020
	$	$
Goods and services transferred at a point in time	150,460,750	86,998,108
Goods and services transferred over time	241,482	122,485
	150,702,232	**87,120,593**

The Group's revenue disaggregated by type of revenue recognition is as follows:

	2021	2020
	$	$
Revenue from Payment Service Provider services	39,401,823	35,339,630
Revenue from Acquiring bank services	108,896,907	50,193,571
Revenue from Sales of Card Readers	874,410	122,485
Revenue from eWallet, prepaid cards and issuing	83,648	9,450
Ancillary revenue	1,445,444	1,455,457
	150,702,232	**87,120,593**

For Card Readers sold on instalments the amount still due at 31 August has been split between current and non-current assets. The amount due within one year is included in trade and other receivables, the amount due in greater than one year is shown as other long-term assets. See below for the split:

	31 August 2021	31 August 2020
	$	$
Current		
Card Readers sold on instalments	164,560	54,989
Non current (Other-long term assets)		
Card Readers sold on instalments	79,986	26,891
Total	**244,546**	**81,880**

Notes to the financial Statements

For the year ended 31 August 2021

8 Employee remuneration

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

	2021	2020
	No.	No.
	6	6

Directors Remuneration is paid by another group company

All employees are in administration

Expenses recognised for employee benefits are analysed below:

	2021	2020
	$	$
Non-executive directors' fees	40,811	38,021
Sums paid to third parties for employee services	1,414,898	904,571
	1,455,709	**942,592**

There were no pension contributions made in the year to 31 August 2021 (2020: nil).

9 Operating profit

Operating profit is stated after charging:

	2021	2020
	$	$
Depreciation of property, plant and equipment	666	-
Amortisation of intangible assets	9,028	8,144
Foreign exchange differences	175,943	(967,067)
Auditors remuneration		
- for group audit services	327,899	201,106
- for non-audit services	19,090	11,198

Non audit services relate to the provision of corporate tax compliance and disbursements.

Notes to the financial Statements

For the year ended 31 August 2021

10 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2021	2020
	$	$
Bank interest	-	-
Other interest	154,977	21,951
	154,977	**21,951**

	2021	2020
Finance income for the reporting periods consists of the following:	$	$
Interest on bank deposits	149,799	190,458
Interest on security deposits	(42,677)	(32,077)
Interest received on Corporation tax	1,877	31,440
Cash surplus on Visa Inc. share conversion	15,126	-
Dividends received	30,840	28,500
	154,965	**218,321**

Notes to the financial Statements

For the year ended 31 August 2021

11 Tax expense

The major components of tax expense and the reconciliation of the expected tax expense on the domestic effective tax rate of emerchantpay Ltd at 19% (2020: 19%) and the reported tax expense in profit or loss are as follows:

	2021	2020
	$	$
Profit before tax	9,486,847	5,680,263
Domestic tax rate for emerchantpay Limited	19%	19%
Expected tax expense	1,802,501	1,079,250
Expenses not deductible for tax purposes	90,637	26,039
Adjustments to tax charge in respect of prior periods	(1,087)	(837,368)
Remeasurement of deferred tax for changes in tax rates	354,286	90,670
Taxation on Other Comprehensive Income	(303,094)	(194,566)
Group relief claimed	(215,279)	(73,120)
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	(20,032)	(68,684)
Current tax (current period) exchange differences arising on movement between opening and closing spot rates	(2,278)	(4,110)
Non-taxable income	(5,860)	(5,525)
Adjustment to brought forward balances	82,779	145,116
Foreign tax expense	148	-
Tax suffered on foreign dividend and interest	9,653	8,918
Actual tax expense	**1,792,374**	**166,620**

	$	$
Current tax expense		
Current tax on profits for the year	1,646,838	1,031,488
Adjustment in respect of previous year	(21,119)	(906,052)
Current tax expense	**1,625,719**	125,436
Deferred tax expense		
Origination and reversal of temporary differences	166,655	41,184
Deferred tax expense	**166,655**	**41,184**
Total tax expense	**1,792,374**	**166,620**

Notes to the financial Statements

For the year ended 31 August 2021

12 Intangible assets

Details of the Group and Company's intangible assets and their carrying amounts are as follows:

	Acquired software licences
Gross carrying amount	**$**
At September 2020	102,653
Additions	181,049
At 31 August 2021	**283,702**
Amortisation and impairment	
At 1 September 2020	88,494
Amortisation	9,028
At 31 August 2021	**97,522**
Carrying amount	
At 31 August 2021	**186,180**
At 31 August 2020	14,159

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

	Acquired software licences
	$
Gross carrying amount	
At September 2019	94,694
Additions	7,959
At 31 August 2020	**102,653**
Amortisation and impairment	
At 1 September 2019	80,350
Amortisation	8,144
At 31 August 2020	**88,494**
Carrying amount	
At 31 August 2020	**14,159**
At 31 August 2019	14,344

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

Notes to the financial Statements

For the year ended 31 August 2021

13 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows

	IT equipment	Total
Group	**$**	**$**
Gross carrying amount		
At 1 September 2020	-	-
Additions	2,398	2,398
At 31 August 2021	**2,398**	**2,398**
Depreciation and impairment		
At 1 September 2020	-	-
Depreciation	666	666
At 31 August 2021	**666**	**666**
Carrying amount		
At 31 August 2021	**1,732**	**1,732**
At 31 August 2020	**-**	**-**

No property, plant and equipment was held in the prior year.

The Company held no property, plant and equipment.

Notes to the financial Statements

For the year ended 31 August 2021

14 Other long-term financial assets

	Listed equity investments	Other Investments	Security deposits	Total
	$	$	$	$
Cost or valuation				
At 1 September 2020	6,304,993	1,198,831	11,995,784	19,499,608
Additions	-	700,000	-	700,000
Matured	-	-	(1,408,434)	(1,408,434)
Foreign exchange movement	-	(3,867)	(104,340)	(108,207)
Interest on security deposits	-	-	(42,677)	(42,677)
Revaluation of listed investments	435,678	-	-	435,678
At 31 August 2021	**6,740,671**	**1,894,964**	**10,440,333**	**19,075,968**
Net book value				
At 31 August 2021	**6,740,671**	**1,894,964**	**10,440,333**	**19,075,968**
At 31 August 2020	6,304,993	1,198,831	11,995,784	19,499,608

	Listed equity investments	Other Investments	Security deposits	Total
	$	$	$	$
Cost or valuation				
At 1 September 2019	5,541,226	1,274,865	10,836,873	17,652,964
Additions	-	450,000	365,000	815,000
Matured	-	(550,000)	-	(550,000)
Foreign exchange movement	-	23,966	823,749	847,715
Interest on security deposits	-	-	(29,838)	(29,838)
Revaluation of listed investments	763,767	-	-	763,767
At 31 August 2020	6,304,993	1,198,831	11,995,784	19,499,608
Net book value				
At 31 August 2020	**6,304,993**	**1,198,831**	**11,995,784**	**19,499,608**
At 31 August 2019	5,541,226	1,274,865	10,836,873	17,652,964

Other investments represent long-term bank deposits.

The details and carrying amounts of listed and listed equity investments are as follows:

	2021	2020
	$	$
Listed securities	6,740,672	6,304,993
Total listed equity investments at fair value	6,740,672	6,304,993

Listed securities

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 in 2016.

On the fourth anniversary of the acquisition (21.06.2020) VI announced their first release assessment which reduced the conversion rates for Series B Preferred Stock. As compensation for this the Group was issued with 122 Visa Series A Preferred Stock in September 2020.

During the year a gain of $435,678 (2020: $709,381) was recognised in other comprehensive income as a result of the change in fair value of VI stock.

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

The Group also holds a portfolio of equity investments which is managed on behalf of the Group by an investment management company. During the year a gain of $62,438 (2020: $54,386) was recognised in other comprehensive income as a result of the change in fair value.

Notes to the financial Statements

For the year ended 31 August 2021

15 Company Fixed Asset Investments

	Listed Investments	Investments in subsidiary companies	Other long-term financial assets	Security deposits	Total
	$	$	$	$	$
Cost or Valuation					
At 1 September 2020	6,304,993	145,058	1,198,831	11,995,784	19,644,666
Additions	-	387,097	700,000	-	1,087,097
Foreign exchange movement	-	-	(3,867)	(104,340)	(108,207)
Interest on security deposits	-	-	-	(42,677)	(42,677)
Matured	-	-	-	(1,408,434)	(1,408,434)
Revaluation of listed investments	435,678	-	-	-	435,678
At 31 August 2021	**6,740,671**	**532,155**	**1,894,964**	**10,440,333**	**19,608,123**
Net book value					
At 31 August 2021	**6,740,671**	**532,155**	**1,894,964**	**10,440,333**	**19,608,123**
At 31 August 2020	6,304,993	145,058	1,198,831	11,995,784	19,644,666

	Listed Investments	Investments in subsidiary companies	Other long-term financial assets	Security deposits	Total
	$	$	$	$	$
Cost or valuation					
At 1 September 2019	5,541,226	1,363	1,274,865	10,836,873	17,654,327
Additions	-	156,711	450,000	365,000	971,711
Disposals	-	(13,016)	-	-	(13,016)
Foreign exchange movement	-	-	23,966	823,749	847,715
Interest on security deposits	-	-	-	(29,838)	(29,838)
Matured	-	-	(550,000)	-	(550,000)
Revaluation of listed investments	763,767	-	-	-	763,767
At 31 August 2020	6,304,993	145,058	1,198,831	11,995,784	19,644,666
Net book value					
At 31 August 2020	**6,304,993**	**145,058**	**1,198,831**	**11,995,784**	**19,644,666**
At 31 August 2019	5,541,226	1,363	1,274,865	10,836,873	17,654,327

16 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

Group and Company Deferred tax liabilities

Deferred tax liabilities	**1 September 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 August 2021**
	$	$	$	$
Non-current liabilities /relating to:				
Accelerated capital allowances	2,690	43,855	-	46,545
Short term temporary differences	614,888	-	303,094	917,982
Capital gains	388,863	122,800	-	511,663
	1,006,441	**166,655**	**303,094**	**1,476,190**

17 Inventories

Inventories consist of the following:

	2021	***2020***
	$	**$**
Merchandise	**729,774**	**295,247**

In the year ended 31 August 2021, a total of $323,360 (2020: $368,985) of inventories was included in profit or loss as an expense. This includes an amount of $60,093 (2020: $ 307,510) resulting from write-down of Inventories

Notes to the financial Statements

For the year ended 31 August 2021

18 Trade and other receivables

Trade and other receivables consist of the following:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Trade receivables	11,559,674	9,014,739	11,276,410	9,014,739
Financial assets	11,559,674	9,014,739	11,276,410	9,014,739
Amounts owed by related parties	30,727,657	27,669,516	30,948,402	27,938,112
Other debtors	5,750,757	110,427	5,772,359	120,637
Deposit paid to VAT Tribunal	1,697,009	1,261,151	1,697,009	1,261,151
Prepayments	769,268	631,087	744,848	608,747
Non-financial assets	**38,944,691**	29,672,181	**39,162,618**	29,928,647
	50,504,365	38,686,920	**50,439,028**	38,943,385

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of amortised cost.

All the Group's trade and other receivables have been reviewed for indicators of impairment and none were found to be impaired.

Note 29.4 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

19 Other short-term financial assets

Other short-term financial assets consist of the following:

	2021	**2020**
	$	**$**
Cash deposits maturing in less than 12 months	-	350,000

Notes to the financial Statements

For the year ended 31 August 2021

20 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2021	2020
	$	$
Cash at bank and in hand:		
USD	13,176,532	9,941,965
GBP	1,047,400	1,250,471
EUR	442,826	556,100
Other currencies	1,222,261	57,239
Short-term deposits		
USD	15,250,000	13,700,000
EUR	117,985	119,532
	31,257,004	**25,625,307**

21 Share capital

The share capital of emerchantpay Limited consists only of fully paid ordinary shares with a nominal value of $2. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of emerchantpay Limited.

	2021	2020
Shares authorised, issued and fully paid:	$	$
At beginning and end of year *1 (2020 – 1) Ordinary share of £1.00*	2	2

22 Pensions and other employee obligations

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

	2021	2020
Current	$	$
Other short-term employee obligations	429,785	176,434

Other short-term employee obligations arise from accrued holiday entitlement at the reporting date together with accrued bonuses and amounts due in respect of social security.

23 Trade and other payables

Trade and other payables consist of the following:

	Group		Company	
Current	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Trade payables	2,229,132	1,562,420	1,921,845	1,553,563
Amounts owed to related parties	7,150,317	449,565	7,150,317	578,392
Other Creditors	3,610,775	1,316,763	3,508,985	1,210,087
Accruals and deferred income	35,235,082	29,319,508	35,716,847	29,462,742
	48,225,306	**32,648,256**	**48,297,994**	**32,804,784**

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

Notes to the financial Statements

For the year ended 31 August 2021

24 Financial assets and liabilities

Categories of financial assets and financial liabilities

Note 5.9 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	FVTPL	FVTOCI	Amortised Cost	Total
2021		$	$	$	$
Financial assets					
Security deposits	14	-	-	10,440,333	10,440,333
Other investments	14	-	6,740,671	1,894,964	8,635,635
Other long-term financial assets		-	**6,740,671**	**12,335,297**	**19,075,968**
Short-term financial assets		-	-	-	-
Trade receivables	18	-	-	11,559,674	11,559,674
Cash and cash equivalents	19	-	-	31,257,004	31,257,004
		-	**6,740,671**	**55,151,975**	**61,892,646**

	Note	Amortised Cost	Total
2021		$	$
Financial liabilities			
Trade and other payables	23	48,225,306	48,225,306
		48,225,306	**48,225,306**

		FVTPL	FVTOCI	Amortised Cost	Total
2020		$	$	$	$
Financial assets					
Security deposits	14	-	-	11,995,784	11,995,784
Other investments	14	-	6,304,993	1,198,831	7,503,824
Other long-term financial assets		**-**	**6,304,993**	**13,194,615**	**19,499,608**
Short-term financial assets		-	-	350,000	350,000
Trade receivables	18	-	-	9,014,739	9,014,739
Cash and cash equivalents	19	-	-	25,625,307	25,625,307
		-	**6,304,993**	**48,184,661**	**54,489,654**

		Amortised Cost	Total
2020		$	$
Financial liabilities			
Trade and other payables	22	32,648,256	32,648,256
		32,648,256	**32,648,256**

A description of the Group's financial instruments risk, including risk management objectives and policies is given in Note 29.

The methods used to measure financial assets reported at fair value are described in Note 30.

25 Dividends

During 2021, emerchantpay limited paid dividends of $7,500,000 (2020: Nil) to its equity shareholder. This represents a payments of $3,750,000 per share (2020: Nil per share).

Notes to the financial Statements

For the year ended 31 August 2021

26 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:

Net changes in working capital	**2021**	**2020**
	$	$
(Increase)/Decrease in inventories	(434,527)	64,518
(Increase) in trade and other receivables	(11,873,859)	(1,450,877)
Increase in trade and other payables	15,577,050	8,487,373
Increase/(Decrease) in other employee obligations	253,351	(18,033)
Total changes in working capital	**3,522,015**	**7,082,981**

Non-cash flow adjustments	**2021**	**2020**
	$	$
Amortisation of non-financial assets	9,694	8,144
Foreign exchange losses	(18,647)	(126,036)
Exchange rate movement in Security deposits and investments	108,208	(847,715)
Interest income	(154,965)	(218,321)
Interest expense	154,977	21,951
Interest received on security deposits	42,677	29,838
Total adjustments	**141,944**	**(1,132,139)**

27 Related party transactions

The Group's related parties include its fellow group subsidiaries of the ultimate parent undertaking, emerchantpay Group Limited as described below and key management personnel.

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.

In addition to the above the Group received income in respect of services supplied to emerchantpay OOD totalling $698,637 (2020 $479,887).

Notes to the financial Statements

For the year ended 31 August 2021

Name of Fellow subsidiary	Charge in respect of service received	Charge in respect of service received	Outstanding balance	Outstanding balance
	2021	2020	2021	2020
	$	$	$	$
emerchantpay Group Ltd (UK)	-	-	8,287,258	9,874,869
emerchantpay UK Services Limited	6,402,313	4,277,193	12,239,451	8,820,584
emerchantpay OOD	34,375,720	30,618,268	(6,756,073)	(240,380)
emerchantpay International Limited	-	-	1,140,834	1,340,946
emerchantpay Corporation Inc.	-	-	4,483,393	4,142,493
INSOnline Limited	-	-	1,074,184	1,363,901
EMPPAY Inc	-	-	8,325	8,966
INSOnline PVT India Limited	-	-	203,374	412,057
emerchant Asia Inc.	-	-	50,000	25,000
EzeeWallet Ltd	-	-	(233,098)	2,039
Bolam Services DWC LLC	-	-	(56,561)	(64,699)
emerchantpay (Hong Kong) Ltd	-	-	148,025	139,993
JLF Enterprises Ltd	-	-	1,028,304	674,614
Prime Pay Call Centre Services LLC	403,599	-	384,324	342,289
Prime Pay Isle of Man Ltd	-	-	284,256	141,737
Bolam Malta Holdings Ltd	-	-	391,266	325,145
Bolam Malta Ltd	-	-	-	3,827
emerchantpay GmbH	1,742,545	40,314	999,669	51,055
emerchantpay Group Limited (BVI)	-	-	-	(144,486)

27.1 Transactions with key management personnel

Key management of the Group are the executive members of emerchantpay Group's Leadership Team which comprise directors and other members of the executive management team. Key management personnel remuneration includes the following expenses

	2021	2020
	$	$
Short-term employee benefits:		
Sums paid to third parties for employee services	1,114,013	629,556
Total short-term employee benefits	**1,114,013**	**629,556**
Total remuneration	**1,114,013**	**629,556**

Notes to the financial Statements

For the year ended 31 August 2021

28 Controlling party

The directors consider that the immediate and ultimate parent undertaking of this group is emerchantpay Group Limited, a company incorporated in United Kingdom, 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 29 Howard Street, North Shields, Tyne & Wear, NE30 1AR.

The ultimate controlling party is Jonas Reynisson.

29 Financial instruments risk

29.1 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 24. The main types of risks are market risk, credit risk and liquidity risk.

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.

29.2 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.

29.3 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 2021			
Financial assets	10,139,745	4,144,980	1,430,211
Financial Liabilities	3,379,474	5,641,316	122,222

Total exposure	6,760,271	(1,496,337)	1,307,989

At 31 August 2020			
Financial assets	3,624,258	4,308,164	130,511
Financial Liabilities	(2,058,592)	(3,772,476)	(62,066)
Total exposure	1,565,666	535,688	68,446

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 2021 (2020: 10%). A 5% change is considered for the USD/GBP exchange rate (2020: 10%). 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% (2020: 10%) and GBP by 5% (2020: 10%) respectively then this would have had the following impact:

		Profit for the Year				Equity
	EUR $	GBP $	Total $	EUR $	GBP $	Total $
31 August 2021	(338,014)	74,817	(263,197)	(338,014)	74,817	(263,197)
31 August 2020	(156,567)	(53,569)	(210,136)	(156,567)	(53,569)	(210,136)

If the USD had weakened against the EUR by 5% (2020: 10%) and GBP by 5% (2020: 10%) respectively then this would have had the following impact:

		Profit for the Year				Equity
	EUR $	GBP $	Total $	EUR $	GBP $	Total $
31 August 2021	338,014	(74,817)	263,197	338,014	(74,817)	263,197
31 August 2020	156,567	53,569	210,136	156,567	53,569	210,136

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.

29.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from various financial assets including cash and cash equivalents held at banks. Trade and other receivables and security deposits.

Notes to the financial Statements

For the year ended 31 August 2021

Credit risk management

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised below:

	2021	2020
	$	$
Classes of financial assets – carrying amounts:		
Cash and cash equivalents	31,257,004	25,625,307
Trade receivables	11,559,674	9,014,739
Security deposits	10,440,333	11,995,784
Other investments	1,894,964	1,198,831
	55,151,975	**47,834,661**

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.
The Group continuously monitors defaults of customers, merchants and other counterparties, identified either individually or by the Group, and incorporate 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:

	2021	2020
	$	$
Not more than 3 months	517,177	52,431
More than 3 months	56,127	4,857
Total	**573,304**	**58,288**

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.

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 $948,388 (2020: $232,657) 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.

29.5 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 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

		2020 Current
	Within 6 months	6 to 12 months
	$	
Trade and other payables	32,648,256	-

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

		2021 Current
	Within 6 months	6 to 12 months
	$	$
Trade and other payables	48,225,306	-

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 2021

30 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: quoted 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 levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 August 2021 and 31 August 2020. There are no financial liabilities measured at fair value.

31 August 2021	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Assets				
Listed Securities	6,740,671	-	-	6,740,671
Security Deposits	10,440,333	-	-	10,440,333
Other Investments	1,894,964	-	-	1,894,964
		-	-	
Net Fair Value	**19,075,698**	**-**	**-**	**19,075,698**

31 August 2020	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial Assets				
Listed Securities	6,304,993	-	-	6,304,993
Security Deposits	11,995,784	-	-	11,995,784
Other Investments	1,198,831	-	-	1,198,831
Net Fair Value	**19,499,608**	**-**	**-**	**19,499,608**

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third party valuation specialists for complex valuations where necessary. Valuation techniques are selected based on the characteristics of each instrument with the overall objective of maximising the use of market-based information and other available financial data. The finance team reports directly to the chief financial officer and to the management board. Valuation processes and fair value changes are discussed among the management board and the valuation team at least every year, in line with the group's reporting dates.

Notes to the financial Statements

For the year ended 31 August 2021

31 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:

	2021	2020
	$	$
Total equity	51,936,192	51,609,135
Cash and cash equivalents	(31,257,004)	(25,625,307)
Capital	20,679,187	25,984,828
Total equity	51,936,192	51,609,135
Overall financing	51,936,192	51,609,135
Capital-to-overall financing ratio	0.40	0.50

32 Contingent liability

Total contingent liabilities at 31 August 2021 amounted to $7.6m (2020: $4.95m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met. During the three previous years and the current year the Group has paid deposits totalling $1.70m into the VAT Tribunal to facilitate the progression of the appeal and this amount is disclosed in Trade and other receivables in the financial statements.

The VAT Tribunal is expected to go ahead in 2022 with the outcome, and any related settlement, uncertain.

33 Post balance sheet events

In early December 2021 the company injected €12 million into its affiliated company, UAB Phoenix Payments for required capital restructuring to ensure the ongoing strength of the business. UAB Phoenix Payments is the Lithuanian company supporting emerchantpay's European acquiring portfolio and its ongoing operation is critical to the Group.

There have been no other significant events affecting the Group since the year end.