

KALIXA ACCEPT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Registration number: 05433326



KALIXA ACCEPT LIMITED
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KALIXA ACCEPT LIMITED
COMPANY INFORMATION

Directors	Keith James Woodhead Haukur Gislason Richard Knight
Company Secretary	Hackwood Secretaries Limited
Registered Office	The Corn Mill 1 Roydon Road Stanstead Abbots Hertfordshire SG12 8XL
Auditors	Price Bailey LLP Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

Organisational Overview

The company is part of the Kalixa Payments Group. The principal activity of Kalixa Accept Ltd "the Company" is to provide payment services to businesses accepting electronic payments. In order to carry out that activity, the Company is regulated and licensed as a payment institution by the Financial Conduct Authority (FCA). It is a principal Member of Visa and MasterCard and is PCI DSS compliant. The Company has strategic partners in place to help to deliver this service.

Business model

Kalixa Accept Limited is a complete, end-to-end payment service that helps businesses make and receive payments online globally. Kalixa Accept Limited gives access to a wide variety of payment options including card payments and alternative payments and manages the entire payment flow in a secure environment for both their customers and their customers' customers.

The Company regards its operations as being split into three main business areas:

- Global Gateway - providing a technical e-commerce payment gateway to merchants to connect them with payment providers in a safe and secure manner as well as providing consolidated risk, reconciliation and reporting services.
- Card Acquiring - Processing Visa, MasterCard and Maestro branded credit and debit card transactions in Europe in nine settlement currencies (EUR, USD, GBP, CHF, AUD, CAD, SEK, NOK, DKK).
- Settlement Services - processing transactions via direct connections to over 90 alternative payment methods, providing a single combined settlement to merchants to enable them to offer a wide variety of alternative payment methods to customers without the need to contract and reconcile with those providers individually.

It can service merchants in 31 countries in Europe offering a robust technical solution that allows it to operate 24 hours a day, 365 days a year, safely, securely and continuously.

Strategy

Our aim is to be one of the largest providers of electronic payment services worldwide. We currently operate with a pan European license in 31 countries and our strategy provide the best service we can to our merchants whilst seeking opportunities to grow the business in as many ways as possible.

Kalixa Accept has seen a large increase in the number of partners during 2017 and to assist in growing its business will continue to focus on collaborating with partners during 2018, hoping to grow on the relationships it has built during the year to further develop the partner network in 2018.

Kalixa are continually developing the payments platform to achieve its goals and deliver and strengthen its position in the market and build a global footprint. Kalixa Accept also intends to continue its focus on providing excellent customer service with further automation and enhanced reporting for customers to be rolled out in 2018.

On 1 June 2017 there was a change of ownership following the agreement by the previous owners GVC Holdings Plc to sell Kalixa to the Senjō Group Pte Ltd.

Performance assessment, financial review and key performance indicators

Key revenue drivers for the company are the value of transactions processed, which increased by 29% (2016: increased 19%) .

Risk and uncertainties

Risk management is an integral part of managing our business and the Kalixa Group formally maintains and reviews its risk register on a regular basis. Due to the nature of the financial products offered, a key risk to the company is the possibility of money laundering and fraud by external parties. In order to mitigate these risks, the Company has robust policies and procedures in place.

IT Risk

The Company is exposed to significant IT risks through the operation of its trading activities on a proprietary e-payment platform which it licences from Kalixa Payments Group Limited.

Risk and uncertainties (continued)

Credit Risk

Credit risk is the risk of financial loss to the Company that a customer or payment service provider will fail to meet their contractual obligations. The Company mainly has agreements with merchants to provide net settlement whereby charges are deducted before funds are settled. This helps to reduce the risk to the Company, however there may be arrangements in place where the Company settles funds prior to receiving them or is obligated to settle funds not received from other payment service providers. In specific instances where credit is provided through pre-funding, flexible payment terms are agreed and these are monitored by the Company in order to reduce the risk.

Foreign Exchange Risk

Kalixa Accept aggregates and acquires transactions in multiple currencies for merchants in 28 European countries. Wherever possible the company will receive settlements from payment providers and card schemes in the same currency as the underlying transaction and will settle in this currency to its merchants. Some merchants may request settlement in a currency different from the underlying transaction and the company is able to generate foreign exchange income from providing this service.

Foreign exchange risk also occurs when transactions are entered into which are not denominated in the functional currency of the Company. Kalixa Accept aims to mitigate against this risk by naturally hedging its assets and liabilities.

In order to help reduce Foreign exchange risk and exposure Kalixa Accept has taken the decision to change its functional currency from GBP to EUR.

Liquidity risk

Kalixa Accept Limited maintains sufficient cash and liquid resources to cover likely future settlements. We also have the backing of the Senjo group if required. Amounts owed to the group are non-current liabilities.

Corporate governance

As an FCA licenced payment institution, we are obliged to abide by their regulations. The Kalixa Payments Group Limited has established compliance and risk management processes through the use of workshops, committees and regular timely reporting to ensure that risks are identified, monitored and controlled on an on-going basis and that significant risks are escalated to the Board of directors when necessary. The Board considers that the company has complied with these regulations throughout the year.

Approved by the Board of directors on 27/9/18 and signed on its behalf by:



Keith Woodhead
Director

KALIXA ACCEPT LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Directors of the company

The directors who held office during the year were as follows:

K Sheik-Hestani (Resigned 28 February 2018)

Michael Burtscher (Resigned 8 May 2018)

Keith James Woodhead

Haukur Gislason (Appointed 1 March 2018)

P Seymour (resigned 1 September 2017)

Richard Alan Knight (Appointed 1 May 2018)

Principal activity

The principal activity of the Company is to provide online payment services to merchants. In order to provide some of these payment services, the company is authorised and regulated by the Financial Conduct Authority under the Payment Services Regulations 2009. The Company is also a principal member of Visa and MasterCard for card acquiring.

The Company holds commercial agreements with merchants to supply payment services including payment gateway, aggregation or settlement services and card acquiring. The payment gateway service offers the merchant a technical connection to many payment providers via a technical payment platform. The aggregation service offers the merchant a turnkey payment processing solution where technical and commercial relationships are handled by the Company including a full cash management service. As a card acquirer for Visa and MasterCard, the Company can directly enter into contracts with merchants to offer merchant acquiring services.

In order to offer payment services, the Company has entered into agreements with various payment service providers to make their local multi-currency payment services available on the payment platform.

Results

The company made a profit for the year ended 31 December 2017 of €856,526 (2016: €11,799,353).

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Political and charitable donations

There were no charitable donations during the year. There were no political donations in the year.

Re-appointment of auditors

The auditors, Price Bailey LLP, have been appointed under section 487(2) of the Companies Act 2006.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2017 in relation to certain losses and liabilities which the directors may incur to third parties.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Approved by the Board on 27/9/18 and signed on its behalf by:



Keith Woodhead
Director

Opinion

We have audited the financial statements of Kalixa Accept Limited (the 'company') for the year ended 31 December 2017 which comprise Statements of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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, or returns adequate for our audit have not been received from
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of our report

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


Richard Vass (Senior Statutory Auditor)

for and on behalf of
Price Bailey LLP

Chartered Accountants
Statutory Auditors

Causeway House, 1 Dane Street
Bishop's Stortford
Hertfordshire, CM23 3BT

Date: *28th September 2018*

KALIXA ACCEPT LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016 (Restated)
	Note	€	€
Revenue	1	28,234,514	21,293,762
Other revenue		-	-
Cost of sales		(22,457,343)	(16,000,643)
Gross profit		5,777,171	5,293,119
Administrative expenses		(5,727,920)	(2,947,099)
Exchange gains	2	(2,539,408)	5,800,798
Gain on available for sale recycled from other comprehensive income		-	5,728,629
Loss / Profit from operating activities		(2,490,157)	13,875,447
Finance income	5	1	5,470
Finance expense	6	(5,232)	(515)
Profit on sale of investment		2,403,911	125,020
Loss / Profit before tax		(91,477)	14,005,422
Tax charge	7	421,060	(2,206,069)
Intercompany dividend		526,943	-
Profit after tax		856,526	11,799,353
Other comprehensive income			
Items that will or may be reclassified to profit and loss			
Fair value adjustment		-	(1,027,938)
Available for sale gain recycled to profit and loss		-	(5,728,629)
Other movement		-	-
Deferred tax		-	1,485,065
Total comprehensive (loss) / income		-	(5,271,502)

The notes on pages 11 to 19 form an integral part of these financial statements.

KALIXA ACCEPT LIMITED (REGISTRATION NUMBER: 05433326)
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Note	2017 €	2016 € (Restated)
Non-current assets			
Intangible assets	8	-	4,913
Investments	9	11	11
Deferred consideration	11	657,638	614,002
		<u>657,649</u>	<u>618,926</u>
Current assets			
Available for sale	10	-	2,192,030
Trade and other receivables	12	61,205,097	33,444,865
Cash and cash equivalents	13	24,902,250	18,879,956
		<u>86,107,347</u>	<u>54,516,851</u>
Total Assets		86,764,996	55,135,777
Current liabilities	14	(74,390,718)	(35,407,705)
Deferred tax	15	-	(367,954)
Net assets		<u>12,374,278</u>	<u>19,360,118</u>
Equity			
Share capital	16	951,326	951,326
Available-for-sale reserve	18	-	1,841,092
Currency translation reserve		(122,808)	
Retained earnings	19	11,545,760	16,567,700
Total equity		<u>12,374,278</u>	<u>19,360,118</u>

The financial statements were approved by the Board of directors on 27/9/18 and signed on its behalf by:



Keith Woodhead
Director

The notes on pages 11 to 19 form an integral part of these financial statements.

KALIXA ACCEPT LIMITED (REGISTRATION NUMBER: 05433326)
STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2017

	Share capital	Available for sale	Retained earnings	Currency translation reserve	Total
	€	€	€	€	€
01 January 2017	951,326	1,841,092	16,567,700	-	19,360,118
Profit for the year	-	-	856,526	-	856,526
Profit on sale of investment	-	(1,841,092)	-	-	(1,841,092)
Exchange movements	-	-	(35,699)	-	(35,699)
Foreign exchange on conversion	-	-	-	(122,808)	(122,808)
Dividend payment	-	-	(5,842,767)	-	(5,842,767)
31 December 2017	951,326	-	11,545,760	(122,808)	12,374,278

	Share capital	Stock option reserve	Available for sale	Retained earnings (Restated)	Total
	€	€	€	€	€
01 January 2016	951,326	36,485	7,477,797	10,485,726	18,951,334
Prior year adjustment	-	-	-	252,805	252,805
Profit for the year	-	-	-	11,799,353	11,799,353
Increase in stock option reserve	-	103	-	-	103
Other Comprehensive Income	-	-	(5,636,705)	-	(5,636,705)
Transfer to retained earnings	-	(36,588)	-	36,588	-
Dividend payment	-	-	-	(5,944,827)	(5,944,827)
Exchange movements	-	-	-	(61,945)	(61,945)
31 December 2016	951,326	-	1,841,092	16,567,700	19,360,118

The notes on pages 11 to 19 form an integral part of these financial statements.

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The presentation currency is euro.

General information

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its Registered Office is The Corn Mill, 1 Roydon Road, Stanstead Abbots, Hertfordshire, SG12 8XL, UK.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS
- a statement of cash flows
- the effect of future accounting standards, not yet adopted
- disclosure of related party transactions with other wholly owned members of the group headed by Senjō Group Pte. Ltd.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosure is included in the consolidated financial statements of Kalixa Payments Group Limited. These financial statements do not include certain disclosures in respect of:

- share based payments;
- financial instruments;
- fair value measurements; or
- impairment of assets.

Going Concern

The Company is profit making and has no requirements to be funded by its parent company, Kalixa Payments Group Limited. The directors are therefore satisfied that the Company's financial statements can be prepared on a going concern basis.

Revenue

Revenue represents amounts chargeable in respect of services to customers and is recognised when the service is provided. The Company has three revenue models - payment gateway, aggregation services and card acquiring.

The payment gateway service offers the merchant a technical connection to many payment providers via the technical payment platform. This service may be charged on a fixed fee or per transaction with the revenue recognised and invoiced accordingly on a monthly basis.

The aggregation service offers the merchant a turnkey payment processing solution where technical and commercial relationships are handled by the Company including a full cash management service. This service may be offered on a gross or net settlement basis and the revenue is recognised once the transaction is captured in the system. Previously revenue was recognised once transactions had been settled in the system.

As a card acquirer for Visa and MasterCard, the Company can directly enter into contracts with merchants to offer merchant acquiring services. Customers are charged a fee on a transactional basis and revenue is recognised once the transaction is captured in the system. Previously revenue was recognised once transactions had been settled in the system.

1. Accounting policies (continued)**Critical accounting policies, estimates and judgements**

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Intangible assets (note 8)
- Investments in subsidiaries (note 9)
- Assets classified as held for sale (note 10)
- Creditors classified as accruals and deferred income (note 14)

Intangible Assets

Intangible assets are recognised at cost less accumulated amortisation and any provision for impairment. Amortisation is charged on all intangible fixed assets at rates calculated to write-off the cost of each asset on a straight line basis over its estimated useful life from the date it was brought into use.

Asset class	Amortisation method and rate
Licence costs	20% straight line basis

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Taxation

Income tax expense represents the sum of the directors' best estimate of taxation exposures and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of revenue or cost that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of all timing differences where transactions or events that have originated but not reversed at the balance sheet date result in an obligation to pay more tax in the future, or a right to pay less tax in the future.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Financial assets**Trade and other receivables**

Trade and other receivables are attributable to activities relating to the acquiring and aggregation of transactions. Trade and other receivables are recognised when an invoice is raised and credit control processes are in place to collect any debts which have not been paid within the designated payment terms. Payment services and chargeback provisions are funds waiting to settle in regards to the acquiring and aggregation of transactions and represent the balances awaiting to be received by Kalixa Accept on behalf of merchants. Other trade and other receivables consist of security deposits and receivables from merchants in respect of gross settlement arrangements. Trade receivables are measured at fair value.

1. Accounting policies (continued)**Cash and cash equivalents**

Cash held at bank consists of the company's funds generated through trading activities and funds held on behalf of merchants that have been settled by the card schemes or other payment providers to the company, but have yet to be settled to the merchant. There is a corresponding merchant payable or intercompany payable balance for all cash balances held on behalf of merchants.

Available for sale assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method are recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Financial Liabilities**Trade and other payables**

Trade and other payables are generated through the normal means of trading and are recognised on the accruals basis. All suppliers terms and credit periods are adhered to by the Company. Merchant payables consist of funds which are due to be paid to merchants once the settlement process has been completed. Other payables shows balances which are due to be paid on behalf of employee related creditors.

Trade payables are measured at fair value.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Functional currency

Following the acquisition by Senjo group the Kalixa Payments group reviewed the functional currency used by each of its companies. It was decided by the Directors of Kalixa Accept that the functional currency most beneficial to it would be Euro. Kalixa Accept therefore has changed the functional currency from Pound Sterling (GBP) to Euro (EUR). This has resulted in exchange differences and in line with IAS21 a currency translation reserve has been created.

The 2016 closing balances have also been translated from Pound Sterling (GBP) to Euro (EUR) in order to present comparative figures.

Deferred consideration

The company will receive a deferred cash payment in the future. This is recorded as a non-current asset within the balance sheet with accrued interest is released to the profit and loss account on a monthly basis. The deferred consideration is measured at amortised cost.

1. Net revenue

An analysis of net revenue by geographical location is given below:

	2017 €	2016 € (Restated)
Sales - UK	4,559,622	2,575,385
Sales - Europe	23,358,308	18,528,323
Sales - Rest of world	316,584	190,054
	<u>28,234,514</u>	<u>21,293,762</u>

2. Profit from operating activities

Profit from operating activities is stated after charging:

	2017 €	2016 €
Auditor's remuneration - The audit of the company's annual accounts	22,132	65,490
Exchange losses / (gains)	2,539,408	(5,800,798)
Amortisation	4,753	29,226
Salaries and wages	1,038,284	1,645,757
Other personnel costs	11,985	209,958

3. Particulars of employees

The average number of persons employed by the company (including directors during the year, analysed by category was as follows;

	2017 No.	2016 No.
Finance	2	2
Compliance and Risk	1	-
	<u>3</u>	<u>2</u>

	2017 €	2016 €
Wages and salaries	790,356	1,553,068
Social security costs	247,230	135,369
Staff pensions	698	5,464
	<u>1,038,284</u>	<u>1,693,901</u>

4. Director's remuneration

	2017 €	2016 €
Remuneration (including benefits in kind)	<u>7,051</u>	<u>294,606</u>

There were matching company pension contributions made during the year of £0 (2016: £1,500)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing benefits under money purchase pension scheme (including highest paid director)	<u>-</u>	<u>1</u>

KALIXA ACCEPT LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5. Finance income

	2017 €	2016 €
Bank interest received	1	5,470

6. Finance expense

	2017 €	2016 €
Bank interest and similar charges	5,232	515

7. Taxation

Analysis of tax charge in the year

	2017 €	2016 € (Restated)
Current tax		
UK corporation tax charge on profit for the year	-	2,472,908
Prior year difference	(421,060)	(203,304)
UK corporation tax charge on profit for the year	(421,060)	2,269,604
Deferred tax		
	-	(63,534)
Total Tax	(421,060)	2,206,069

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK at 19.25% (2016: 20%)

The differences are reconciled below:

	2017 €	2016 € (Restated)
Loss / Profit on ordinary activities before tax	(91,478)	14,005,422
Tax on profit on ordinary activities as standard CT rate of 19.25% (2016: 20%)	(18,296)	2,801,085
Effects of:		
Expenses not deductible for tax purposes	316	(7,336)
Income not taxable for tax purposes	-	-
Other permanent differences	-	(267)
Group relief surrendered / claimed	17,980	(561,002)
Tax due on deferred consideration	-	134,519
Tax due on sale of shares	-	1,188,100
Prior year timing difference	(421,060)	(203,303)
Tax effect of prior year adjustment	-	63,534
Gain on available for sale recycled from other comprehensive income	-	(1,145,726)

Tax charge for the period	(421,060)	2,269,604
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Deferred tax reconciliation

	2017 €	2016 € (Restated)
As at 1 January	53,844	74,965
Tax effect of prior year adjustment	(53,844)	(21,121)
As at 31 December	-	53,844

8. Intangible assets

	2017 €	Total €
Cost		
At 1 January 2017	305,235	305,235
Disposals	(305,235)	(305,235)
At 31 December 2017	-	-
Amortisation		
At 1 January 2017	300,322	300,322
Charge for the year	(300,322)	(300,322)
At 31 December 2017	-	-
Net book value		
At 31 December 2017	-	-
At 31 December 2016	4,913	4,913

9. Investments

	Investment in subsidiaries €	Total €
At 1 January 2017	11	11
At 31 December 2017	11	11

Company name	Kalixa USA, Inc.
Country of incorporation	United States of America
Date incorporated	25 April 2013
Registered address	140 Broadway, 46th Floor, New York, NY 10005, USA
Percentage of Ownership	100%
Principal Activity	Provision of gateway services

10. Available for sale

	2017 €	2016 €
Cost		
At 1 January	2,192,030	9,398,903
Fair value adjustment 31st March 2016	-	(2,463,969)
Cash - Received 21 June 2016	-	(5,784,951)
Reclassify to deferred consideration	-	(598,185)
Stock - fair value adjustment	-	1,005,476
Exchange movements	-	634,756
Sale of shares	(2,192,030)	-
At 31 December	-	2,192,030

The available for sale asset held consisted of 4,650 Series B convertible participating shares in Visa Inc. The shares were sold to Kalixa Group Limited on 23rd May 2017 for €2,454,208.

KALIXA ACCEPT LIMITED

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

11. Deferred consideration

	2017	2016
	€	€
At 1 January 2017	614,002	-
Reclassified from available for sale asset as at 21 June 2016	-	598,101
Unwinding of discount	25,729	15,901
FX difference	17,907	-
At 31 December 2017	<u>657,638</u>	<u>614,002</u>

As part of the Visa Europe Limited share sale (see note 11) the Company was informed that a deferred cash payment of €692,829 including interest is expected to be paid in 2019. A discount rate of 4% has been applied to calculate the deferred consideration of €657,638. The discount is being unwound through the income statement on a monthly basis.

12. Trade and other receivables

	2017	2016
	€	€
Payment service providers	52,516,431	29,856,797
Amounts owed by group undertakings	4,160,741	534,909
Trade debtors	1,037,046	193,745
Other debtors	3,490,879	2,859,414
	<u>61,205,097</u>	<u>33,444,865</u>

13. Cash and cash equivalents

	2017	2016
	€	€
Cash held for settlement to merchants	24,566,878	11,822,431
Cash generated through trading activities	335,372	7,057,525
	<u>24,902,250</u>	<u>18,879,956</u>

14. Trade and other payables

	2017	2016
	€	€
Merchant payables	68,587,141	15,137,428
Amounts owed to group undertakings	1,904,543	17,988,486
Other taxes and social security	141,631	225,039
Corporation tax	-	1,439,342
Accruals and deferred income	3,757,403	617,410
	<u>74,390,718</u>	<u>35,407,705</u>

Included within accruals and deferred income is an accrued cost provision of €1,942,812 which relates to royalty charges from Kalixa Payments Group Limited for the operation, costs and associated use of the Kalixa payments platform.

15. Deferred tax

	2017	2016
	€	€
As at 1 January	367,954	1,908,423
Prior year adjustment	-	(63,201)
At beginning of the year as restated	<u>367,954</u>	<u>1,845,222</u>
Release from deferred tax - Available for sale asset	(367,954)	(1,448,983)
Exchange movements	-	(28,285)
As at 31 December	<u>-</u>	<u>367,954</u>

Deferred tax liabilities of £0.3m (2015: £1.6m) relate primarily to any associated gain from the sale of the Visa shares classified as available for sale asset (see note 11).

16. Share capital

Allotted, called up and fully paid shares

	2017	
	No.	€
Ordinary shares of €1.1738	810,467	951,326

17. Financial instruments

	2017	2016
	€	€
Financial assets		
Payment service providers and other	56,007,310	32,716,211
Amounts owed by group undertakings	4,160,741	534,909
Cash and cash equivalents	24,902,250	18,879,956
	<u>85,070,301</u>	<u>52,131,076</u>

Financial assets comprise of cash and receivable balances due from merchants, payment service providers and intercompany receivables.

Financial liabilities

Merchant payables and other	68,728,772	15,362,466
Amounts owed to group undertakings	1,904,543	17,988,486
	<u>70,633,315</u>	<u>33,350,952</u>

Financial liabilities comprise of balances due to merchants, intercompany payables and taxes owed.

Risk Management

A description of the principal risk relating to financial instruments and how they are managed is given below:

IT Risk

The Company is exposed to significant IT risks through the operation of its trading activities on a proprietary e-payment platform which it licences from Kalixa Group Limited.

Credit Risk

Credit risk is the risk of financial loss to the Company that a customer will fail to meet their contractual obligations. The Company mainly has agreements with merchants to provide net settlement whereby charges are deducted before funds are settled. This helps to reduce the risk to the Company, however there may be arrangements in place where the Company settles funds prior to receiving them. In specific instances where credit is provided through pre-funding, flexible payment terms are agreed and these are monitored by the Company in order to reduce the risk.

Foreign Exchange Risk

Kalixa Accept aggregates and acquires transactions in multiple currencies for merchants in 28 European countries. Wherever possible the company will receive settlements from payment providers and card schemes in the same currency as the underlying transaction and will settle in this currency to its merchants. Some merchants may request settlement in a currency different from the underlying transaction and the company is able to generate foreign exchange income from providing this service.

Foreign exchange risk also occurs when transactions are entered into which are outside of the functional currency of the Company. Kalixa Accept aims to mitigate against this risk by naturally hedging its assets and liabilities.

18. Available for sale reserve

	2017	2016
	€	€
As at 1 January	1,841,092	7,477,797
Classification to available for sale reserve	-	-
Cash received	(1,841,092)	(4,627,961)
Fair value adjustment	-	(1,166,794)
Exchange movements	-	(320,498)
Deferred consideration	-	478,548
At 31 December	-	1,841,092

19. Retained earnings

	2017	2016
	€	€
At beginning of the year as previously stated	16,567,700	10,485,726
Prior year adjustment	-	252,805
At beginning of the year as restated	16,567,700	10,738,531
Profit for the year	856,526	11,799,353
Stock option reserve transferred to retained earnings	-	36,589
Dividend paid	(5,842,767)	(5,944,827)
Conversion FX adjustment	(35,699)	(61,945)
At 31 December	11,545,760	16,567,700

A dividend of £5,064,600 was declared to the Company's parent Kalixa Payments Group Limited by the board on 6th July 2016.

As a result of the GVC acquisition of Bwin.party plc on 1st February 2016 all share options vested and exercised and in alignment with IAS 12 the share option reserve was transferred to retained earnings, see note 20.

20. Commitments

The company had no annual commitments in 2017 (2016: nil).

21. Related party transactions

The Company has taken advantage of the exemption available under FRS101 paragraph 8(k), not to disclose any transactions with wholly owned subsidiaries included in the consolidated financial statements of its parent company.

22. Ultimate parent undertaking and controlling party

The ultimate holding company is Senjō Group Pte. Ltd. incorporated in Singapore. The Company's immediate holding company is Kalixa Payments Group Limited.

The accounts of Senjō Group Pte. Ltd are available to the public and may be obtained at #56 One Raffles Place, 048616 Singapore.