

Registered number: 07930355

**Bancom Europe Limited**

**Annual report and audited financial statements**

**for the year ended 31 December 2018**



# Bancom Europe Limited

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# **Bancom Europe Limited**

## **Strategic report**

The Directors of Bancom Europe Limited ("the Company") present their Strategic Report for the year ended 31 December 2018.

### **Review of the business**

Turnover increased in 2018 by 12.5% from £72,000 to £81,000 and the Company made a net profit after tax amounting to £7,078 (2017: £6,253).

### **Brexit Implications**

The possibility of losing passporting rights, currently provided for under the EU 2nd Banking Directive, has been discussed at board meetings. Our original plan was that, should the need arise, we would open a sub-office in another jurisdiction and obtain a license which will be passported to cover the remaining EU/EEA territories in the case of a 'soft' Brexit.

In the case of a 'hard' or 'no deal' Brexit then we can call upon the resources of another company with common ownership which has already obtained the necessary regulatory license and we would be able to operate under a service agreement with them if required.

However, on the basis that we do not have any non-UK business we feel that prudence would be the best policy. Therefore, before expending any resources on setting up an alternative EU solution prior to Brexit we will wait until the Government announces exactly what Brexit means to our industry.

Bancom has the resources to continue, as is, for the present and then we will be able to wisely invest in a structured expansion program, rather than react to the unknown quantity.

### **Principal risks and uncertainties**

The Company uses financial instruments as detailed in note 3. The Company does not use derivative financial instruments. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and capital management risk. The directors review and agree policies for managing each of these risks and they are summarised below:

#### **Credit risk**

Bancom does not offer any credit facility to its clients it, therefore, is not subject to any credit risk except from within the institutions with which the company banks itself.

#### **Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets of the Company safely and profitably. The Company is financed through equity. At 31 December 2018 the Company had a positive net cash balance.

#### **Capital management risk**

There can be no assurance that the regulatory body providing a licence to the Company, namely the Financial Conduct Authority, will not change their licensing requirements, including the terms and conditions to which the licence and approval currently held by the Company are subject. If a regulatory scheme under which the Company operates were to change its licensing requirements, the Company may be required to expend significant capital or other resources to comply with the new requirements and/or may not be able to meet the new requirements, either or a combination of which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Future Developments**

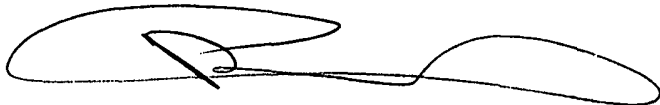
Looking forward, Bancom sees itself in a strong position to provide expert support to organisations that are interested in entering the e-money issuing market under the tutelage and license of an EU regulated entity. Subject of course to the outcome of Brexit, as discussed above.

There have been no significant events since the balance sheet date.

# **Bancom Europe Limited**

## **Strategic report (continued)**

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Philip J Davies', written over a horizontal line.

**Philip J Davies**

Director

3 April 2019

# **Bancom Europe Limited**

## **Directors' report**

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

### **Principal Activities**

The principal activity of the Company is that of an e-money issuer regulated by the Financial Conduct Authority under the Electronic Money Regulations 2011 (Register ref: 900098) for the issuing of electronic money and this regulatory status has been passported to include all EEA states. It is anticipated that the Company will continue to develop its core business in the same way over the forthcoming year.

Revenue during the year was derived entirely from providing consultancy on payment and card processing services, based on MasterCard branded products and services, and external support to organisations that are interested in entering the e-money issuing market under the tutelage and licence of an EU regulated entity. This will continue for now, at least until we know the full extent, and implications, of Brexit.

### **Results and Dividends**

The results for the year are shown on page 9. The profit after tax for the year attributable to shareholders amounted to £7,078 (2017: £6,253). The directors do not recommend payment of a dividend (2017: £Nil).

### **Future developments**

Details of future developments can be found in the Strategic Report on page 1.

### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the notes to the financial statements.

The Directors have considered the impact of Brexit on the Company and further detail is given in the Strategic Report. Given the activities of the Company, any outcome from Brexit is not expected to affect the ability of the Company to continue as a going concern.

### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including foreign currency risk, cash flow risk and fraud risk and these are discussed in the Strategic Report on page 1. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. However, at the present time, the Company does not use derivative financial instruments.

### **Directors**

The directors, who served throughout the year and to the date of this report, are as follows:

Philip J Davies

Anthony R Davis

Jonathan Amrani

# **Bancom Europe Limited**

## **Directors' report (continued)**

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

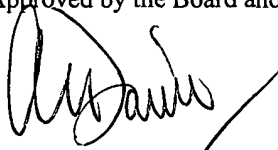
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP, being eligible, has expressed their willingness to accept appointment and to continue in office in accordance with Section 485 of the Companies Act 2006.

### **Registered office**

The Company has its registered office at Afon Building, Worthing Road, Horsham, West Sussex, RH12 1TL.

Approved by the Board and signed on its behalf by:



**Anthony R Davis**  
Director

3 April 2019

# **Bancom Europe Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

# **Independent auditor's report to the members of Bancom Europe Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bancom Europe Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.



## **Independent auditor's report to the members of Bancom Europe Limited (continued)**

### **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 respect of these matters.

### **Responsibilities of directors**

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 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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.

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

## **Independent auditor's report to the members of Bancom Europe Limited (continued)**

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


Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

### **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.



Matthew Bainbridge FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Douglas, Isle of Man

## Bancom Europe Limited

### Profit and loss account

For the year ended 31 December 2018

|   | Note | 2018<br>£ | 2017<br>£ |
|---|------|-----------|-----------|
| Turnover                                      | 4    | 81,000    | 72,000    |
| Cost of sales                                 |      | -         | -         |
| Gross profit                                  |      | 81,000    | 72,000    |
| Administrative expenses                       |      | (72,445)  | (64,184)  |
| Profit on ordinary activities before taxation | 5    | 8,555     | 7,816     |
| Tax on profit on ordinary activities          | 8    | (1,477)   | (1,563)   |
| Profit for the financial year                 |      | 7,078     | 6,253     |

The Directors consider that all results derive from continuing activities.

In both the current and preceding financial years, there was no other comprehensive income other than that dealt with in the profit and loss account above.

The notes on pages 13 to 21 form part of these financial statements.

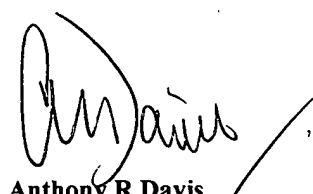
# Bancom Europe Limited

## Balance Sheet

As at 31 December 2018

|   | Note | 2018<br>£      | 2017<br>£      |
|---|------|----------------|----------------|
| <b>Current assets</b>                                 |      |                |                |
| Debtors   | 9    | 7,435          | 6,719          |
| Cash at bank and in hand                              |      | 378,364        | 571,391        |
|   |      | <u>385,799</u> | <u>578,110</u> |
| <b>Creditors: amounts falling due within one year</b> | 10   | (21,994)       | (221,383)      |
| <b>Net current assets</b>                             |      | <u>363,805</u> | <u>356,727</u> |
| <b>Net assets</b>                                     |      | <u>363,805</u> | <u>356,727</u> |
| <b>Capital and reserves</b>                           |      |                |                |
| Called-up share capital                               | 11   | 350,000        | 350,000        |
| Profit and loss account                               |      | 13,805         | 6,727          |
| <b>Shareholders' funds</b>                            |      | <u>363,805</u> | <u>356,727</u> |

The financial statements of Bancom Europe Limited (registered number 07930355) were approved by the board of directors and authorised for issue on 3 April 2019. They were signed on its behalf by:

  
**Anthony R Davis**  
 Director

The notes on pages 13 to 21 form part of these financial statements.

## Bancom Europe Limited

### Cash flow statement

For the year ended 31 December 2018

|   | Note | 2018<br>£             | 2017<br>£             |
|---|------|-----------------------|-----------------------|
| <b>Operating profit</b>                                       |      | 8,555                 | 7,816                 |
| Adjustments for:  |      |                       |                       |
| (Increase) / Decrease in trade and other receivables          |      | (1,435)               | -                     |
| Increase / (Decrease) in trade and other payables             |      | 548                   | (630)                 |
| <b>Cash from operations</b>                                   |      | <u>7,668</u>          | <u>7,186</u>          |
| Income taxes : paid   | 8    | (1,507)               | (421)                 |
| Income taxes : refund received                                |      | 812                   | -                     |
| <b>Net cash generated from operating activities</b>           |      | <u>6,973</u>          | <u>6,765</u>          |
| <b>Cash flows (used in) / from financing activities</b>       |      | <u>(200,000)</u>      | <u>200,000</u>        |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |      | <u>(193,027)</u>      | <u>206,765</u>        |
| <b>Cash and cash equivalents at beginning of year</b>         |      | 571,391               | 364,626               |
| <b>Cash and cash equivalents at end of year</b>               |      | <u><u>378,364</u></u> | <u><u>571,391</u></u> |

The notes on pages 13 to 21 form part of these financial statements.

## Bancom Europe Limited

### Statement of changes in equity

For the year ended 31 December 2018

|                                   | Called-up<br>share<br>capital<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>£     |
|-----------------------------------|------------------------------------|------------------------------------|----------------|
| <b>At 31 December 2017</b>        | 350,000                            | 6,727                              | 356,727        |
| Profit for the financial year     | -                                  | 7,078                              | 7,078          |
| <b>Total comprehensive income</b> | 350,000                            | 13,805                             | 363,805        |
| Dividends paid on equity shares   | -                                  | -                                  | -              |
| <b>At 31 December 2018</b>        | <u>350,000</u>                     | <u>13,805</u>                      | <u>363,805</u> |
| <br><b>At 31 December 2016</b>    | <br>350,000                        | <br>474                            | <br>350,474    |
| Profit for the financial year     |                                    | 6,253                              | 6,253          |
| <b>Total comprehensive income</b> | 350,000                            | 6,727                              | 356,727        |
| Dividends paid on equity shares   | -                                  | -                                  | -              |
| <b>At 31 December 2017</b>        | <u>350,000</u>                     | <u>6,727</u>                       | <u>356,727</u> |

The notes on pages 13 to 21 form part of these financial statements

# **Bancom Europe Limited**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### **1. Accounting policies**

The principal accounting policies are summarised below.

#### **a. General information and basis of accounting**

Bancom Europe Limited is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out on page 3.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. The Company has not adopted the Triennial Review changes to FRS 102 issued in December 2017, which are effective for accounting periods commencing on or after 1 January 2019.

The functional currency of Bancom Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### **b. Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and directors' report ('the reports'). The reports further describe the financial position of the Company; its cash flows and liquidity position; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit risk and liquidity risk.

The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's services; (b) the exchange rate between sterling and other currencies and thus the consequence for the Company's direct cost of doing business.

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

#### **c. Financial instruments**

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### **(i) Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

# **Bancom Europe Limited**

## **Notes to the financial statements (continued)**

For the year ended 31 December 2018

### **1. Accounting policies (continued)**

#### **c. Financial instruments (continued)**

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risk and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **(ii) Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

#### **d. Impairment of assets**

Assets other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### **Financial assets**

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.



# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 1. Accounting policies (continued)

#### e. *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### f. *Turnover*

The Company is involved in the provision of consultancy on payment and card processing services to an entity under common ownership, PSI-Pay Limited (see note 12). Turnover is accounted for on an accruals basis.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors have considered if they are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources, specifically around accruals and deferred income. The Directors are of the opinion that there is no material uncertainty in the carrying amounts of assets and liabilities, which all have a maturity date of less than one year.

## Bancom Europe Limited

### Notes to the financial statements (continued)

For the year ended 31 December 2018

#### 3. Financial Risk

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations to repay account holders as they fall due. The most important components of this financial risk are credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

##### (a) Credit risk and concentrations

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- cash and cash equivalents and
- amounts due from clients (trade debtors)

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved by the Board of Directors.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

|   | 2018           | 2017           |
|---|----------------|----------------|
|   | £              | £              |
| Client debtors                          | 7,000          | 6,000          |
| Cash at bank and in hand                | 378,364        | 571,391        |
| <b>Total assets bearing credit risk</b> | <b>385,364</b> | <b>577,391</b> |

|   | 2018           | 2017           |
|---|----------------|----------------|
|   | £              | £              |
| AAA                                     | -              | -              |
| AA                                      | 378,364        | 571,391        |
| A                                       | -              | -              |
| BBB                                     | -              | -              |
| Below BBB or not rated                  | 7,000          | 6,000          |
| <b>Total assets bearing credit risk</b> | <b>385,364</b> | <b>577,391</b> |

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The concentration of credit risk is substantially unchanged compared to prior year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these institutions.

# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 3. Financial Risk (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of Bancom Europe is to meet its obligations as they fall due.

All of the Company's financial assets and liabilities have maturity dates within the next year. Full details of these assets and liabilities are provided elsewhere in the notes to the financial statements.

#### (c) Capital management risk

The Company defines capital in accordance with regulations prescribed by the Financial Conduct Authority ("FCA"). The Company's capital consists of:

|                                      | 2018    | 2017    |
|--------------------------------------|---------|---------|
|                                      | £       | £       |
| Share capital (paid)                 | 350,000 | 350,000 |
| Retained earnings                    | 13,805  | 6,727   |
|                                      | <hr/>   | <hr/>   |
| Total Capital Resources              | 363,805 | 356,727 |
| Total Capital Requirement (€350,000) | 314,681 | 310,998 |
|                                      | <hr/>   | <hr/>   |
| Capital surplus                      | 49,124  | 45,729  |
|                                      | <hr/>   | <hr/>   |

The Company's objectives when managing capital are:

- i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
- ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
- iii) to safeguard the Company's ability to continue as a going concern.

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times.

# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 4. Turnover and revenue

An analysis of the Company's turnover by class of business is set out below.

|                  | 2018<br>£     | 2017<br>£     |
|------------------|---------------|---------------|
| <b>Turnover:</b> |               |               |
| Consultancy fees | 81,000        | 72,000        |
|                  | <u>81,000</u> | <u>72,000</u> |

All of the Company's turnover arises from consultancy services rendered in the United Kingdom.

### 5. Profit on ordinary activities before taxation

|   | 2018<br>£      | 2017<br>£ |
|---|----------------|-----------|
| Profit on ordinary activities before taxation is stated after charging: |                |           |
| Audit fees  | 6,900          | 8,352     |
| Tax compliance fees paid to the Company's auditor : current year        | 1,980          | 3,525     |
| over-provision for previous year  | <u>(1,284)</u> | <u>-</u>  |

### 6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

|                | 2018<br>Number | 2017<br>Number |
|----------------|----------------|----------------|
| Administration | 3              | 3              |
|                | <u>3</u>       | <u>3</u>       |

Their aggregate remuneration comprised:

|                       | 2018<br>£     | 2017<br>£     |
|-----------------------|---------------|---------------|
| Wages and salaries    | 47,000        | 47,000        |
| Social security costs | 3,034         | 3,113         |
|                       | <u>50,034</u> | <u>50,113</u> |

# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 7. Directors' remuneration

|   | 2018<br>£     | 2017<br>£     |
|---|---------------|---------------|
| <i>Directors' remuneration</i>                          |               |               |
| Emoluments  | 47,000        | 47,000        |
| Company contributions to money purchase pension schemes | -             | -             |
|   | <u>47,000</u> | <u>47,000</u> |
|   |               |               |
|   | 2018<br>£     | 2017<br>£     |
| <b>Remuneration of the highest paid director:</b>       |               |               |
| Emoluments  | <u>20,000</u> | <u>20,000</u> |

### 8. Tax on profit on ordinary activities

|   |              |              |
|---|--------------|--------------|
| The tax charge comprises:                           | 2018<br>£    | 2017<br>£    |
| <b>Current tax on profit on ordinary activities</b> |              |              |
| UK corporation tax                                  | 1,477        | 1,563        |
|   | <u>1,477</u> | <u>1,563</u> |
| <b>Total current tax</b>                            |              |              |
|   | <u>1,477</u> | <u>1,563</u> |
| <b>Total tax on profit on ordinary activities</b>   | <u>1,477</u> | <u>1,563</u> |

# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 8. Tax on profit on ordinary activities (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

|  | 2018<br>£    | 2017<br>£    |
|--|--------------|--------------|
| <b>Profit on ordinary activities before tax</b>  | <b>8,555</b> | <b>7,816</b> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 19.0% (2017: 19.25%) | 1,625        | 1,563        |
| Effects of:  |              |              |
| - Adjustments to tax charge in respect of previous periods                                       | (148)        | -            |
| <b>Total tax charge for year</b>   | <b>1,477</b> | <b>1,563</b> |

### 9. Debtors

|   | 2018<br>£    | 2017<br>£    |
|---|--------------|--------------|
| Amounts falling due within one year:                        |              |              |
| Amounts owed by entities under common control (see note 12) | 7,000        | 6,000        |
| Corporation tax recoverable                                 | -            | 719          |
| Prepayments   | 435          | -            |
|   | <b>7,435</b> | <b>6,719</b> |

Amounts owed by entities under common control are unsecured, interest free and repayable on demand.

# Bancom Europe Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2018

### 10. Creditors: amounts falling due within one year

|   | 2018<br>£     | 2017<br>£      |
|---|---------------|----------------|
| Amounts owed to entities under common control (see note 12) | 8,971         | 8,971          |
| Amount owed to a Director (see note 12)                     | -             | 200,000        |
| Other taxation and social security                          | 1,030         | 1,162          |
| Corporation tax   | 1,626         | 1,563          |
| Accruals and deferred income                                | 10,367        | 9,687          |
|   | <u>21,994</u> | <u>221,383</u> |

Amounts owed to entities under common control and to the Director are unsecured, interest free and repayable on demand.

### 11. Called-up share capital and reserves

|   | 2018<br>£      | 2017<br>£      |
|---|----------------|----------------|
| Allotted, called-up and fully-paid<br>350,000 ordinary shares of £1.00 each | <u>350,000</u> | <u>350,000</u> |

The shareholders have the right to receive notice of and attend any general meeting, as well as the right to vote. The shareholders have the right to receive distributions and dividends.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

### 12. Related party transactions

During the year, the Company made charges totalling £81,000 (2017: £72,000) to PSI-Pay Limited, a Company controlled by Avraham Shaked, the ultimate controlling party of Bancom Europe Limited. At the year end, the Company was owed £7,000 (2017: £6,000) by PSI-Pay Limited and owed an amount of £8,971 (2017: £8,971) to PSI-Pay Limited.

During the year, the Company repaid a loan of £200,000 to Mr. Jonathan Amrani, a director of the Company. At the year end, the Company owed Mr. Amrani the amount of £Nil (2017: £200,000).

### 13. Controlling party

Mr. Avraham Shaked, controls the Company as a result of controlling directly 100 per cent of the issued share capital of the Company.