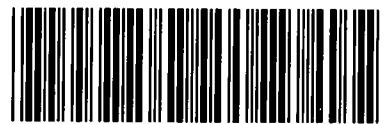


Company Registration No. 08134141 (England and Wales)

EPAYMENTS SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

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EPAYMENTS SYSTEMS LIMITED

COMPANY INFORMATION

Directors	M Rymanov R E Courtneidge	(Appointed 2 July 2018)
Company number	08134141	
Registered office	Palladium House 1-4 Argyll Street London W1F 7LD	
Auditor	Hazlems Fenton LLP Chartered Accountants Palladium House 1-4 Argyll Street London W1F 7LD	

EPAYMENTS SYSTEMS LIMITED

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EPAYMENTS SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2018

The directors present the strategic report for the year ended 30 April 2018.

Fair review of the business

The company is an electronic payment service issuing its own debit card the "ePayments Prepaid MasterCard®". The company was founded in 2011 and now services customers in more than 150 countries from various sectors of the internet business. The company is registered with and regulated by the Financial Conduct Authority (FCA) as an Electronic Money Institution ("EMI"), with FRN 900172. During the year, the company has been successfully re-authorised by the FCA. The company has been also successfully re-authorised under the 2nd Payment Services Directive (Directive 2015/2366 EC). Following the introduction of the new General Data Protection Regulation (GDPR), which is a major change to the old Data Protection Act (DPA), the company identified the importance of aligning the business to this new Regulation and have fully embraced the changes that will be required by the business to comply with the new Regulations. The company provides e-Wallet accounts, prepaid MasterCard® cards, payments and merchant services to individual and corporate customers.

The company is a principal issuer of MasterCard cards. The company also has a PSI DSS compliant license. This license issued by the payment systems of MasterCard and VISA is a confirmation that the company meets all their requirements for the storage and processing of card data, which guarantees clients security on their card transactions.

During the year, the company provided exchange rate services, managed E-wallet accounts and prepaid MasterCard® cards on behalf of its customers. This generated sales amounting to £13,285,226 (2017 £3,553,244). The company generated a profit for the year of £4,956,411 compared to £438,220 in the previous year. Shareholders' funds at the balance sheet date were £5,698,569 compared to £742,158 in 2017. No dividends were distributed during the year (2017: £Nil).

The company has experienced a strong financial year with a significant growth in both turnover and profit. This revenue growth has been led by increases in the number of clients being served by the company and the number of transactions executed. The growth in total income has also been driven by the launch of new products and introduction of new product features.

Key performance indicators

The management team of the company reviews and approves the annual budget. The company relies on different KPIs at an operational level which are specific to the business. Financial performance of the company is reviewed by the management team on a daily basis. The key financial performance indicator for the company is the volume of new E-wallets it opens, the volume of prepaid MasterCard® cards issued, the volume and number of transactions and the volume of turnover by product. Non-financial performance indicators for the company include customer satisfaction and staff morale.

Key KPI used by the company:

	2018	2017
	£'000	£'000
Revenue	13,285	3,553
Gross profit	10,444	2,626
Gross profit margin	79%	74%

EPAYMENTS SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

Key Performance Indicators continued

During the financial year, the number of e-wallet accounts open with the company increased by 106 %, the number of prepaid cards issued by the company increased by 134%.

E-wallet accounts

The number of e-wallets is a count of active customers registered with ePayments system by the date of the relevant period end.

Prepaid cards issued

The number prepaid cards issued is a count of active ePayments Prepaid MasterCard® cards issued by the date of the relevant period end.

Principal risks and uncertainties

The risk management function of the company is carried out in respect of financial risks, operational risks and legal risks. The main objective of risk management is to ensure that appropriate policies and procedures are in place to enable the effective management of the risks to which the company is exposed and to ensure that these policies and procedures are effectively implemented and executed.

Liquidity risk

The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the company's reputation. This is supported by a robust planning process which has the full involvement of the Management team.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The main credit risk to which the company is exposed to is in respect of its debtors. However, since these are primarily inter-group debtors, the risk is not considered to be significant. The financial risk arising from the possible non advance of credit by the company's trade creditors, either by exceeding the credit limit or not paying within the specified terms, is managed by prompt payment and regularly monitoring of the trade balance and credit limit terms for all suppliers.

Market risk

The company is exposed to market risks. Market risks arise from changes in open positions in interest rate, currency and equity financial instruments. The Management team monitors the risk of adverse price changes and interest rates. The company incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the company. The Management team regularly monitors exchange rates and market forecast exchange rates, as well as preparing budgets for the long, medium and short term.

Operational risk

The availability of the company's products and services depends on the continuing operation of its information technology and communications systems. The internal system may be subject to damage via its interruption from power loss, technical failures, computer viruses and other attempts to harm the systems. To address the above risks, the company has two separate server locations. Transaction data is replicated at regular intervals to standby databases at the two sides. Transaction data is also saved as back-up data in the separate server locations as an additional contingency measure.

EPAYMENTS SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

Principal risks and uncertainties continued

Regulatory risk

The company, being a regulated firm in the UK accepting customers from a large number of countries, always faces some uncertainty with regards to the regulatory requirements. Failure to comply with the regulatory requirements could lead to fines or other disciplinary action. The management team ensures that there is a high level of compliance procedures, policies and systems in place and that the company constantly monitors these to ensure that it is fully compliant at all times. The management team monitors changes in regulation and assesses the impact that any changes may have on the business and plans to ensure they have sufficient resources to implement those changes.

The company is committed to the highest standards of openness and integrity. A risk-based anti-money laundering (AML), counter-terrorist financing (CTF), anti-fraud, anti-corruption approach is taken, which includes all necessary measures to mitigate against financial crime. The company abides by and adheres to all applicable laws and regulations regarding AML and CTF in all jurisdictions where it conducts its business. The company has developed and implemented a comprehensive set of measures to identify, manage and control all AML risks starting at on-boarding customers stage.

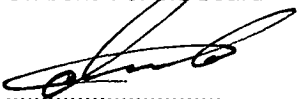
Brexit

Following the result of the referendum on the United Kingdom's membership of the European Union, the UK is likely to depart from the EU (Brexit) in March 2019. This may cause disruption to and create uncertainty around the company's business. Given this uncertainty, the company continues to prepare for changes in legislation, agreements and working practices in order to mitigate risk. The Management continues to assess the potential risks and impacts of Brexit process on company's operating and will address them accordingly with a particular focus on ensuring that company's customers are not impacted.

Development and performance

The focus of the business remains that of attaining global leadership in the electronic payments market. The achievement of this goal is supported by the following: significant experience of the employees of the company; maintaining the product at a high level; continuous improvement of the product; excellent customer service and the implementation of a full range of services. The company plans to further develop their presence around the world attracting new individual users and business customers. The development of new territorial markets is one of the main future plans of the company in the coming years. For entering new markets, the company will create a specific set of services and infrastructure to meet the needs of users in other countries.

On behalf of the board



.....
M Rymanov

Director

4.10.2018
.....

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2018

The directors present their annual report and financial statements for the year ended 30 April 2018.

Principal activities

The principal activity of the company is the issuer of electronic money.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Rymanov

R E Courtneidge

(Appointed 2 July 2018)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Hazlems Fenton LLP were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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). 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 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

On behalf of the board



M Rymanov

Director

Date: *4. 10. 2018*

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED

Opinion

We have audited the financial statements of Epayments Systems Limited (the 'company') for the year ended 30 April 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its profit 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 our 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.

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED

Matters on which we are required to report by exception

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 material misstatements in the strategic report and the directors' report.

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

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

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.

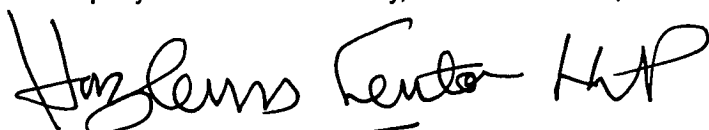
Auditor's responsibilities for the audit of the financial statements

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: <http://www.frc.org.uk/auditorsresponsibilities>. 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 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.



Michael Krieger FCA (Senior Statutory Auditor)
for and on behalf of Hazlems Fenton LLP

At October 2018

Chartered Accountants
Statutory Auditor

Chartered Accountants
Palladium House
1-4 Argyll Street
London W1F 7LD

EPAYMENTS SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 2018

	Notes	2018 £	2017 £
Turnover	3	13,285,226	3,553,244
Cost of sales		(2,841,305)	(927,260)
Gross profit		<u>10,443,921</u>	<u>2,625,984</u>
Administrative expenses		(4,597,969)	(2,068,500)
Operating profit	4	<u>5,845,952</u>	<u>557,484</u>
Interest receivable and similar income	7	385,284	2,653
Interest payable and similar expenses	8	(126,435)	(41,850)
Profit before taxation		<u>6,104,801</u>	<u>518,287</u>
Tax on profit	9	(1,148,390)	(80,067)
Profit for the financial year		<u><u>4,956,411</u></u>	<u><u>438,220</u></u>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

EPAYMENTS SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2018

	2018 £	2017 £
Profit for the year	4,956,411	438,220
Other comprehensive income	-	-
Total comprehensive income for the year	<u>4,956,411</u>	<u>438,220</u>

EPAYMENTS SYSTEMS LIMITED

BALANCE SHEET

AS AT 30 APRIL 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10		31,068		-
Current assets					
Debtors falling due after one year	12	5,472,502		2,713,083	
Debtors falling due within one year	12	2,649,243		2,290,197	
Investments	13	53,781,975		-	
Cash at bank and in hand	14	126,517,581		40,584,939	
		188,421,301		45,588,219	
Creditors: amounts falling due within one year	17	(182,753,800)		(44,846,061)	
Net current assets			5,667,501		742,158
Total assets less current liabilities			5,698,569		742,158
Capital and reserves					
Called up share capital	18		319,804		319,804
Profit and loss reserves			5,378,765		422,354
Total equity			5,698,569		742,158

The financial statements were approved by the board of directors and authorised for issue on 4.10.2018 and are signed on its behalf by:



M Rymanov
Director

Company Registration No. 08134141

EPAYMENTS SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 May 2016	319,804	(15,866)	303,938
Year ended 30 April 2017:			
Profit and total comprehensive income for the year	-	438,220	438,220
Balance at 30 April 2017	319,804	422,354	742,158
Year ended 30 April 2018:			
Profit and total comprehensive income for the year	-	4,956,411	4,956,411
Balance at 30 April 2018	319,804	5,378,765	5,698,569

EPAYMENTS SYSTEMS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	21	140,987,309		20,552,241	
Interest received		246,375		2,653	
Interest paid		(139,976)		(41,850)	
Income taxes paid		(300,067)		-	
Net cash inflow from operating activities		140,793,641		20,513,044	
Investing activities					
Purchase of tangible fixed assets		(31,293)		-	
Other investments and loans made		(53,781,975)		-	
Net cash used in investing activities		(53,813,268)		-	
Financing activities					
Proceeds from borrowings		2,477,013		2,165,564	
Repayment of borrowings		(3,442,857)		-	
Net cash (used in)/generated from financing activities		(965,844)		2,165,564	
Net increase in cash and cash equivalents		86,014,529		22,678,608	
Cash and cash equivalents at beginning of year		40,584,939		17,906,331	
Effect of foreign exchange rates		(81,887)		-	
Cash and cash equivalents at end of year		126,517,581		40,584,939	

The cash and cash equivalents balance of £126,517,581 (2017: £40,584,939) includes £125,655,554 (2017: £40,371,417) of clients funds held in relation to the E-wallets and card balances.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

1 Accounting policies

Company information

Epayments Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is Palladium House, 1-4 Argyll Street, London, W1F 7LD.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The Functional currency of the company in the financial year ended 30 April 2018 is Euros. The company has selected to prepare its accounts in its presentational currency sterling. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, taking into account contractually defined terms of payment and excluding taxes or duty. Rebates are also deducted.

Revenue from transaction processing services (revenue received from end users and FX income) is recognised at the time the customer transactions are fulfilled. End user fees are paid by end users and are calculated as a percentage of funds processed and/or as a charge per transaction.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Furniture fixture and equipment	Over 61 months
Office equipment	Over 25-37 months

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. Included within cash and cash equivalents are amounts relating to restricted cash balances as per agreements with specific providers. The company has taken the approach to recognise the money held on behalf of its e-wallets within cash and cash equivalents.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

Basic financial liabilities

Basic financial liabilities, including creditors, other loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense 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 tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £	2017 £
Turnover		
Currency fees	4,358,184	1,419,325
Commissions received	6,939,934	1,424,223
Card Income	1,987,108	671,234
Other	-	38,462
	<u>13,285,226</u>	<u>3,553,244</u>
 Other significant revenue		
Interest income	<u>385,284</u>	<u>2,653</u>

The director considers that the disclosure of the geographical income would be seriously prejudicial to the interest of the company and thus have taken the option under FRS 102 not to disclose this information.

4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	86,191	(44,106)
Depreciation of owned tangible fixed assets	<u>225</u>	<u>-</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £86,191 (2017 - £44,106).

5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>39,558</u>	<u>17,626</u>

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Compliance	1	1

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	84,454	35,667
Social security costs	10,133	3,802
	<u>94,587</u>	<u>39,469</u>

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	45,335	2,653
Other interest income	339,949	-
Total income	<u>385,284</u>	<u>2,653</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>45,335</u>	<u>2,653</u>
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8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	33,444	-
Other interest on financial liabilities	92,991	41,850
	<u>126,435</u>	<u>41,850</u>

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	<u>1,148,390</u>	<u>80,067</u>

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

9 Taxation

(Continued)

The tax rate has decreased in line with government legislation.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	6,104,801	518,287
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	1,159,912	103,657
Tax effect of utilisation of tax losses not previously recognised	-	(23,590)
Permanent capital allowances in excess of depreciation	(5,902)	-
Foreign exchange differences	(5,620)	-
Taxation charge for the year	1,148,390	80,067

10 Tangible fixed assets

	Furniture fixture and equipment £	Office equipment £	Total £
Cost			
At 1 May 2017	-	-	-
Additions	30,791	502	31,293
At 30 April 2018	30,791	502	31,293
Depreciation and impairment			
At 1 May 2017	-	-	-
Depreciation charged in the year	202	23	225
At 30 April 2018	202	23	225
Carrying amount			
At 30 April 2018	30,589	479	31,068
At 30 April 2017	-	-	-

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

11 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	7,071,152	2,937,577
Instruments measured at fair value through profit or loss	53,781,975	-
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	181,825,410	44,765,994
	<u> </u>	<u> </u>

12 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	747,597	55,404
Amounts due from group undertakings	712,053	106,389
Other debtors	139,000	62,701
Prepayments and accrued income	1,050,593	2,065,703
	<u> </u>	<u> </u>
	2,649,243	2,290,197
	<u> </u>	<u> </u>

	2018 £	2017 £
Amounts falling due after more than one year:		
Other debtors	5,472,502	2,713,083
	<u> </u>	<u> </u>
Total debtors	8,121,745	5,003,280
	<u> </u>	<u> </u>

Included in debtors falling due within one year are prepayments to MasterCard of £5,472,502 (2017: £2,053,480) to cover future MasterCard transactions.

13 Current asset investments

	2018 £	2017 £
Unlisted investments	53,781,975	-
	<u> </u>	<u> </u>

The above balance is held within short term liquid USD Bonds held by the company. These meet the requirements of qualifying liquid assets.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2018

14 Cash and cash equivalents

Epayments Systems Limited, a FCA regulated entity, is required at all times to have qualifying liquid assets (comprising of cash and cash equivalents and investments) in excess of the e-money float. A minimum amount of capital, of Epayments Systems Limited, is required by the FCA. The FCA's regulatory requirement is, at any time, for Epayments Systems Limited to have capital in excess of €350,000 and hold regulatory own funds which are 2% of the average daily outstanding e-money amount at the end of each calendar day over the proceeding 6 month period.

The FCA regulatory requirements and the company's regulatory own fund at the year ends are as follows:

	2018 £	2017 £
FCA regulatory capital requirements	3,138,421	705,004
Regulatory own funds	5,698,569	742,158

For the years ended 30 April 2018 and 30 April 2017 Epayments Systems Limited was in compliance with the requirement to have at all times liquid assets in excess of the e-money float. The respective balances are presented below:

	2018 £	2017 £
Qualifying liquid assets	186,785,251	42,630,789
E-money float	175,137,878	41,764,320

15 E-money float

The e-money float represents amounts received into customer e-wallet accounts. These amounts are recognised on the approval of the initiated transactions. The e-money float received forms part of the Company's cash and cash equivalents balances.

As a FCA regulated entity, Epayments Systems Limited is required at all times to have qualifying liquid assets (comprising of cash and cash equivalents and investments) in excess of the e-money float. As disclosed in note 14, the company has been in full compliance with the above requirement.

The liabilities in connection with the e-money float are due on demand see note 15.

16 Loans and overdrafts

	2018 £	2017 £
Other loans	1,047,288	2,165,564
Payable within one year	1,047,288	2,165,564

The loans are unsecured, repayable within one year of the 30 April 2018 financial year and incur interest of 8% per annum.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

17 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Other borrowings	16	1,047,288	2,165,564
Trade creditors		196,668	3,028
Amounts due to group undertakings		317,673	136,781
Corporation tax		928,390	80,067
E-money float		175,137,878	41,764,320
Other creditors		4,972	5,024
Accruals and deferred income		5,120,931	691,277
		<u>182,753,800</u>	<u>44,846,061</u>

18 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
319,804 Ordinary share of £1 each	319,804	319,804
	<u>319,804</u>	<u>319,804</u>

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	<u>84,454</u>	<u>35,667</u>

During the financial year Epayments Systems Limited received loans from a company that is owned and controlled by the group's ultimate shareholder at the year end £Nil (2017: £2,165,564) was due to the company. Loan interest of £88,653 (2017: £41,850) was payable on these loans during the financial year. The loan terms are shown in note 17.

20 Controlling party

The immediate and ultimate parent company is Epayments Holdings Limited, a company registered in Jersey. Epayments Holdings is controlled by EXIF Trust.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

21 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	4,956,411	438,220
Adjustments for:		
Taxation charged	1,148,390	80,067
Finance costs	126,435	41,850
Investment income	(385,284)	(2,653)
Depreciation and impairment of tangible fixed assets	225	-
Foreign exchange gains on cash equivalents	81,887	-
Movements in working capital:		
(Increase) in debtors	(3,118,447)	(4,883,131)
Increase in creditors	138,177,692	24,877,888
Cash generated from operations	<u>140,987,309</u>	<u>20,552,241</u>