

TRUST PAYMENTS LTD
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

TRUST PAYMENTS LTD

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TRUST PAYMENTS LTD

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | D I Holden J M Lindquist |
| Registered number | 11976895 |
| Registered office | 1 Royal Exchange London EC3V 3DG |
| Independent auditor | Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH |

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TRUST PAYMENTS LTD

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Introduction

Business review

The group was established on 2 May 2019 and on 8 May 2019 acquired 100% of the share capital of SecureTrading Limited, SecureTrading Financial Services Holdings Limited and SecureTrading Group Inc., forming the 'TruST Group'. for a consideration of £64.9m. The consideration consisted of the debt held in the former parent company of the vendor plus £1.

The group's principal activity consists of the provision of integrated payment processing and acquiring services, to global businesses and multinationals.

The three primary lines of business are: an independent technology platform or payment gateway operated by SecureTrading Ltd, based in the UK; a merchant acquiring business operated by SecureTrading Financial Services Ltd and trading under the brand "Acquiring.com" based in Malta, and a US-based payment platform connected to operating under the TruPayme brand.

As a joint service proposition, the integrated service offering operates under the "TRU//ST Payments" brand.

As such, the business can offer global payment connectivity and merchant services, to multiple acquiring "banks", of which (for the EU) the group can underwrite and acquire for European based businesses under its own licence.

The Trust group of companies was purchased from the Administrator, PWC, following the administration of SecureTrading Group Ltd, a company whose operational trading and profitability was strong, but whose balance sheet triggered defaults under the then loan facilities. Twelve months prior to this, new management, led by the new CEO, instigated a turnaround of the business performance, and this trajectory remains strong.

The loan provider, led by CORDET Lending S.à.r.l., thus became the majority shareholder post-administration.

The directors consider revenue and profit to be the primary Key Performance Indicators of the group. In the two months of operations since incorporation the group has seen revenues of £4.9m and a gross profit of 46.2% meeting management's expectations for this period. A loss before tax has been made due to significant charges during the period of £1.4m in connection with the transfer of the loans and interest payable of £1.1m. Core operational profitability is strong.

At the year end, the group had cash and cash equivalents of £10.9m and net liabilities of £3.2m as a result of the loss for the period. The goodwill on investment totalled £47.1m with the fair value of other intangibles acquired being £12.9m. At the period end the company had loans in place of £45.2m.

Description of principal risks and uncertainties

The turnover of the group consists of income from the provision of payment services, including acquiring and associated services. Sales are dependent on the group being able to continually offer its customers cost effective, versatile and reliable products while complying with ever changing demands of the environment in which it operates, including changes in global government and regulatory policies, and consumer behaviours.

The group, as it adapts to global changes in its markets, needs to ensure that it can maintain strong internal controls and procedures.

The group's principal financial instruments comprised cash in liquid resources and various items such as trade receivables and trade payables that arise directly from its operations and debt financing provided by investors.

The main risk arising from the group's financial instrument is liquidity risk. The group finances its operations through a mixture of share capital, income from sales and secured debt. Liquidity risk is monitored using a liquidity gap model which calculates the net cash flows of the group or of individual companies over time in order to detect any critical points in the expected liquidity. The total liquidity requirement is calculated as the sum of the negative gaps (outflows greater than inflows) recorded for each individual time period. Any positive gaps found in a time period are used to reduce negative gaps in subsequent periods.

TRUST PAYMENTS LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

Trade receivables are managed in respect of credit and cash flow risk by policies concerning the credit offered to purchasing authorities and the regular monitoring of amounts outstanding for both time and credit limits. The group has recently updated its monitoring of merchant debit balances so that reviews are undertaken on a more regular basis to mitigate this risk. Trade payables liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Foreign currency risk is the risk that the group will sustain losses through adverse movements in currency exchange rates. The group's business is impacted through its exposure to some of its fee income being in US dollars and Euros.

The group is exposed to the impact of changes in relationships with its customers and suppliers. It is a key task for the operational management in each business to maintain and develop relationships with customers and suppliers during the initial transition period and further into the future.

One member of the group, SecureTrading Financial Services Limited, is required to comply with the minimum capital requirements set out by the Malta Financial Services Authority ("MFSA"). The minimum capital requirement must be maintained at all times throughout the financial period. SecureTrading Financial Services Limited monitors its capital level on a regular basis. Any transactions that may potentially affect the capital requirements are immediately reported to the directors and shareholders for resolution prior to notifying the MFSA.

During the financial period ended 30 June 2019, SecureTrading Financial Services Limited met at all times the minimum capital requirements imposed by the regulatory authority. As at 30 June 2019, the minimum capital requirement amounted to £1,565,850 (€1,750,000) which is lower than the funds of SecureTrading Financial Services Limited that were £2,174,340 (€2,430,057) at 30 June 2019.

Future developments

Following the formation of the group during the period the directors' intend to continue to grow their presence in the market widening their customer base through new innovations and continuing to develop a diverse product offering. In addition to this the group intends to decrease its reliance on external debt financing through continued growth with the operating branch of the company and external investment.

Brexit

On 31 January 2020, the United Kingdom ("UK") left the EU under transitional arrangements which expire on 31 December 2020 with a temporary permissions regime in place for three years starting when the UK left the EU, with an option to extend the regime by up to one year at a time.

The scope of the temporary permission regime will reflect the scope of a firm's passporting permission immediately before the end of the transition period. The temporary permissions regime will come into force at the end of the transition period and it is expected that the regime will be in place for a maximum of three years allowing adequate time for the group to have established an authorised UK subsidiary to provide services in the UK when the temporary permissions end.

The future trading arrangements between the UK and the European Member States are uncertain. Brexit could adversely affect UK, European, and worldwide economic conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Great British Pound and Euro, which in turn could adversely affect customers and business partners particularly in the UK.

In addition, Brexit could lead to legal uncertainty and see national laws and regulations in the UK diverge from EU laws and regulations, as the UK determines which EU laws to replace or replicate. In particular, depending on the terms of Brexit, we may face new regulatory costs and challenges, including the following:

- we could be required to comply with regulatory requirements in the UK that are in addition to, or inconsistent with, the regulatory requirements of the EU; and

TRUST PAYMENTS LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

- our ability to attract and retain the necessary human resources in appropriate locations to support the UK business and the EU business of the Group could be adversely impacted.

Any of the effects of Brexit described above and others that we cannot anticipate could adversely affect our business, results of operations, financial condition and cash flows.

Coronavirus

On 11 March 2020 the World Health Organisation declared that the outbreak of Covid-19 represents a pandemic. This is considered to represent a non-adjusting post balance sheet event. The group's client base is diversified and we are not significantly exposed to the performance of individual sectors. The share of revenue derived from our customers in travel, hospitality and retail has declined since the social distancing measures were put in place in the countries in which we operate. Consequently, whilst the overall growth in 2020 will not be delivered in the same way or in the same industries as originally planned, the business is robust and has re-focused its sales and marketing efforts in other ways, including contactless and non-physical methods of payment. In addition, as set out in note 2.3 to the financial statements, the directors have forecast that the business has sufficient funds available to continue to settle our liabilities, maintain capital adequacy requirements and maintain our planned capital spend.

Our staff are able to work at home effectively and we have experienced little operational disruption to our business.

Statement by the directors on performance of their statutory duties in accordance with S172 (1) Companies Act 2006

Section 172 (1)(a) to (f) requires the directors to act in the way they consider would be most likely to promote the success of the company for the benefit of its members, as a whole, with regard to the following matters:

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

The directors believe that they have acted in the way they consider, in good faith, to promote the long-term success of the group. Governance of the business is formalised in regular board meetings, with input from appropriate strategic advisors. Financial budgets until 2022 have been prepared allowing local and group management to assess the long-term impact of operational and strategic decisions.

b) The interests of the group's employees

The directors consider our people to be a key asset and the interests of our employees are considered when decisions are taken. The directors take care over the well-being and competency of staff via regular on the job training and consultations with employees. Significant investment in people and HR systems to promote good management, assessment and career development of people continues to be made in the group.

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

The directors aim to work in partnership with customers and suppliers who reflected similar values and behaviours to the group. Resources have been designated to increase the number and consistency of our customer account management functions, as well as put in place strategic partnership roles for managing and communicating to current and potential suppliers. These resources include the development of social, ethical and environmental responsibility policies to ensure improved long-term position of the business.

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

The directors are mindful of the communities in which the business operates. Given the global nature of the business, with several regional sites in the UK, Malta and the USA, it is important to have appropriate support to local communities. Where practical, these differences are considered and supported, including working arrangements, supply and community relations. The group has developed social and environmental policies which are designed to reduce the impact of the group's activities on the environment. A standing committee on the board looks at these issues regularly and puts best practice recommendations forward as appropriate.

TRUST PAYMENTS LTD

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2019

e) The desirability of maintaining a reputation for high standards of business conduct

As part of the financial services community, it is of vital importance that high standards of professional business conduct are maintained. Strong ethical and business rigour is embedded via onboarding training for new employees, and continued professional development programmes, delivered online, for existing employees. All employees are required to pass appropriate courses, such as anti-money laundering and data protection. The directors' intentions are to behave responsibly and ensure that management operate the business in a responsible manner, whilst adhering to the high standards of business conduct and good governance expected.

f) The need to act fairly between members of the group

The group has a number of subsidiary entities. As such, communication between the geographic locations, and the interplay between services or functions offered by different locations is vital.

Part of the business strategy is to support a group-wide deployment of our services seamlessly to the end-customer, regardless of which entity or geography they are deployed from. This is also of huge benefit to global enterprises or customers wishing to expand overseas.

Each member of the group is regularly updated about the performance of the group and provided with equivalent financial and strategic reports and updates. An executive management team, representing different areas of the business operates at a group-level.

In addition to this the group has appointed members to each subsidiary board to ensure that their interests are fairly reflected at this level and decisions made by the group are in line with the strategic aim of all members.

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

D I Holden

Director

Date: 5 May 2020

TRUST PAYMENTS LTD

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2019

The directors present their report and the financial statements for the period ended 30 June 2019.

Incorporation

The company was incorporated on 2 May 2019 and started trading on that day.

Principal activity

The group's principal activity consists of the provision of integrated payment processing and acquiring services to global businesses and multinationals.

Results and dividends

The loss for the period, after taxation, amounted to £3,282,995.

The directors do not recommend a dividend for the period.

Director

The director who served during the period was:

J M Lindquist (appointed 2 May 2019)

Subsequent to the year end, D Holden was appointed as a director on 19 July 2019.

Matters covered in the strategic report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

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

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

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

D I Holden

Director

Date: 5 May 2020

TRUST PAYMENTS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

The directors are responsible for preparing the directors' report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the separate parent company financial statements under Financial Reporting Standard 101 (FRS 101 Reduced Disclosure Framework).

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- state whether the separate parent financial statements have been prepared in accordance with FRS 101

Reduced Disclosure Framework, subject to any material departures disclosed and explained in the

financial statements;

- assess the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

TRUST PAYMENTS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRUST PAYMENTS LTD FOR THE PERIOD ENDED 30 JUNE 2019

Opinion

We have audited the financial statements of TruST Payments Ltd for the period ended 30 June 2019 which comprise the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the company statement of changes in equity and the notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the separate parent financial statements is applicable law and Financial Reporting Standard 101 (FRS 101 Reduced Disclosure Framework).

In our opinion the:

- financial statements give a true and fair view of the state of the group's and company's affairs as at 30 June 2019 and of the group's loss for the period then ended;
- group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- separate parent financial statements have been properly prepared in accordance with UK accounting standards, FRS 101 Reduced Disclosure Framework; and
- financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 group's or the parent 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.

TRUST PAYMENTS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRUST PAYMENTS LTD FOR THE PERIOD ENDED 30 JUNE 2019

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.

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director 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 director responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

TRUST PAYMENTS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRUST PAYMENTS LTD FOR THE PERIOD ENDED 30 JUNE 2019

Auditor's responsibilities for the audit of the group financial statements

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

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

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.

David Hough (senior statutory auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

16 Great Queen Street

Covent Garden

London

WC2B 5AH

5 May 2020

TRUST PAYMENTS LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2019

| | Note | Period ended 30 June 2019 £ |
|-----------------------------|------|--------------------------------------|
| Revenue | 5 | 4,949,894 |
| Cost of sales | | (2,661,425) |
| Gross profit | | 2,288,469 |
| Other operating income | 6 | 166,559 |
| Administrative expenses | | (2,925,628) |
| Loss from operations | | (470,600) |
| Finance expense | 9 | (2,497,536) |
| Fair value losses | 23.2 | (72,358) |
| Loss before tax | | (3,040,494) |
| Tax expense | 10 | (242,501) |
| Loss for the period | | (3,282,995) |

TRUST PAYMENTS LTD

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

| | Period ended 30 June 2019 £ |
|---|--------------------------------------|
| Loss for the period | (3,282,995) |
| Exchange gains arising on translation on foreign operations | 54,801 |
| Other comprehensive income for the period, net of tax | <u>54,801</u> |
| Total comprehensive income | <u><u>(3,228,194)</u></u> |

TRUST PAYMENTS LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

| | Note | 2019 £ |
|--------------------------------|-------------|--------------------|
| Assets | | |
| Non-current assets | | |
| Investment property | 13 | 769,135 |
| Property, plant and equipment | 14 | 1,891,931 |
| Other intangible assets | 11 | 13,337,011 |
| Goodwill | 12 | 47,102,871 |
| Deferred tax assets | 10 | 669,805 |
| | | 63,770,753 |
| Current assets | | |
| Cash and cash equivalents | 25 | 10,860,006 |
| Trade and other receivables | 16 | 15,716,431 |
| Investments held at fair value | 23.2 | 4,975,642 |
| | | 31,552,079 |
| Total assets | | 95,322,832 |
| Liabilities | | |
| Non-current liabilities | | |
| Loans and borrowings | 18 | 47,165,571 |
| Deferred tax liability | 10 | 2,171,899 |
| | | 49,337,470 |
| Current liabilities | | |
| Trade and other liabilities | 17 | 48,615,162 |
| Loans and borrowings | 18 | 598,294 |
| | | 49,213,456 |
| Total liabilities | | 98,550,926 |
| Net liabilities | | (3,228,094) |

TRUST PAYMENTS LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**
AS AT 30 JUNE 2019

| | Note | 2019 £ |
|---|------|---------------------------|
| Issued capital and reserves attributable to owners of the parent | | |
| Share capital | 19 | 100 |
| Foreign exchange reserve | 20 | 54,801 |
| Retained earnings | 20 | (3,282,995) |
| Total Equity | | <u><u>(3,228,094)</u></u> |

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

D I Holden

Director

Date: 5 May 2020

The notes on pages 21 to 59 form part of these financial statements.

TRUST PAYMENTS LTD**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

| | Note | 2019 £ |
|--------------------------------|------|--------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 14 | 227,750 |
| Other intangible assets | 11 | 19,542 |
| Investments | 15 | 64,871,490 |
| | | <u>65,118,782</u> |
| Current assets | | |
| Trade and other receivables | 16 | 254,027 |
| Cash and cash equivalents | 25 | 14 |
| | | <u>254,041</u> |
| Total assets | | <u>65,372,823</u> |
| Liabilities | | |
| Non-current liabilities | | |
| Loans and borrowings | 18 | 45,151,850 |
| | | <u>45,151,850</u> |
| Current liabilities | | |
| Trade and other liabilities | 17 | 22,596,184 |
| Loans and borrowings | 18 | 200,843 |
| | | <u>22,797,027</u> |
| Total liabilities | | <u>67,948,877</u> |
| Net liabilities | | <u>(2,576,054)</u> |

TRUST PAYMENTS LTD**COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019**

| | Note | 2019 £ |
|---|------|---------------------------|
| Issued capital and reserves attributable to owners of the parent | | |
| Share capital | 19 | 100 |
| Retained earnings | | (2,576,154) |
| Total Equity | | <u><u>(2,576,054)</u></u> |

The company's loss for the period and total comprehensive income were £2,576,154 and £2,576,154 respectively.

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

D I Holden

Director

Date: 5 May 2020

The notes on pages 21 to 59 form part of these financial statements.

TRUST PAYMENTS LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

| | Share capital | Foreign exchange reserve | Retained earnings | Total attributable to equity holders of parent | Total equity |
|---|---------------|--------------------------------|----------------------|---|--------------------|
| | £ | £ | £ | £ | £ |
| Comprehensive income for the period | | | | | |
| Loss for the period | - | - | (3,282,995) | (3,282,995) | (3,282,995) |
| Other comprehensive income for the period - currency translation differences | - | 54,801 | - | 54,801 | 54,801 |
| Total comprehensive income for the period | - | 54,801 | (3,282,995) | (3,228,194) | (3,228,194) |
| Contributions by and distributions to owners | | | | | |
| Issue of share capital | 100 | - | - | 100 | 100 |
| Total contributions by and distributions to owners | 100 | - | - | 100 | 100 |
| At 30 June 2019 | 100 | 54,801 | (3,282,995) | (3,228,094) | (3,228,094) |

TRUST PAYMENTS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

| | Share capital | Retained earnings | Total equity |
|---|---------------|--------------------|--------------------|
| | £ | £ | £ |
| Comprehensive income for the period | | | |
| Loss for the period | - | (2,576,154) | (2,576,154) |
| Total comprehensive income for the period | - | (2,576,154) | (2,576,154) |
| Contributions by and distributions to owners | | | |
| Issue of share capital | 100 | - | 100 |
| Total contributions by and distributions to owners | 100 | - | 100 |
| At 30 June 2019 | 100 | (2,576,154) | (2,576,054) |

TRUST PAYMENTS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

| | 2019 £ |
|---|--------------------------|
| Cash flows from operating activities | |
| Loss for the period | (3,282,995) |
| Adjustments for | |
| Depreciation of property, plant and equipment | 86,716 |
| Depreciation of investment property | 51,276 |
| Amortisation of intangible fixed assets | 535,185 |
| Change in value of investment | 72,358 |
| Finance expense | 2,497,536 |
| Income tax expense | 242,501 |
| | <u>202,577</u> |
| Movements in working capital: | |
| Increase in trade and other receivables | (1,105,717) |
| Decrease in trade and other payables | (4,598,899) |
| | <u>(5,502,039)</u> |
| Cash generated from operations | <u>(5,502,039)</u> |
| Net cash used in operating activities | <u>(5,502,039)</u> |
| Cash flows from investing activities | |
| Acquisition of subsidiary, net of cash acquired | 10,364,708 |
| Purchases of property, plant and equipment | (73,242) |
| Purchase of intangibles | (198,304) |
| | <u>10,093,162</u> |
| Net cash from investing activities | <u>10,093,162</u> |
| Cash flows from financing activities | |
| Issue of ordinary shares | 100 |
| Proceeds from borrowings | 8,717,552 |
| Payment of loan arrangement fees | (938,079) |
| Finance costs paid | (1,314,213) |
| Payment of lease liabilities | (8,540) |
| | <u>6,456,820</u> |
| Net cash from financing activities | <u>6,456,820</u> |
| Net cash increase in cash and cash equivalents | <u>11,047,943</u> |
| Exchange loss on cash and cash equivalents | (187,937) |
| | <u>10,860,006</u> |
| Cash and cash equivalents at the end of the period | <u><u>10,860,006</u></u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

1. General information

TruST Payments Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is 1 Royal Exchange, London, England, EC3V 3DG.

The group's principal activity consists of the provision of integrated payment processing and acquiring services, to global businesses and multinationals.

The company's principal activity is that of a holding company.

These general purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union.

The company's financial statements are presented in Sterling (£), which is also the group's presentational currency.

The following accounting policies have been applied:

2. Accounting policies

2.1 Basis of preparation of financial statements

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "group"). The parent company financial statements present information about the company as a separate entity and not about its group.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The separate parent financial statements of the company are prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 (FRS 101).

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required, equivalent disclosures have been given in the consolidated financial statements of Trust Payments Limited.

The group and separate parent company financial statements have been prepared under the historic cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent company for the period was £2,576,154.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.2 Basis of consolidation

The financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2019.

All undertakings over which the group exercises control, being the power to govern the financial and operating policies so to obtain benefits from their activities, are consolidated as subsidiary undertakings. Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively. Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement.

On consolidation, assets and liabilities of foreign undertakings are translated into sterling at period end exchange rates. The results of foreign undertakings are translated into sterling at average rates of exchange for the period (unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Foreign exchange differences arising on the retranslation of foreign undertakings are recognised directly in a separate component of equity, the translation reserve.

2.3 Going concern

TRUST Payments Limited acquired subsidiaries of SecureTrading Group Limited (together "the TRUST Group") on 8 May 2019. The new group is under the control of Cordet Lending S.a.r.l ("Cordet"). Cordet, along with a minority shareholder Ture Invest AB ("Ture"), together "the Lenders", have provided finance to the wider group of approximately £45.2m at the balance sheet date. At this date the loans were due for repayment between November 2020 and May 2021. In December 2019 the Lenders extended the repayment dates associated with these loans to between June 2021 and December 2021.

The TRUST Group led by the CEO, together with a new management team have re-aligned the product suite in the payments market and embarked on a new growth trajectory. Detailed forecasts and cashflow projections have been prepared to December 2022 substantiating the growth trajectory, and these forecasts show that the group can continue to meet their working capital requirements and settle these liabilities as they fall due during that period. The forecasts do not allow for the repayment of the facilities with the Lenders but the directors are confident that a satisfactory resolution will be achieved so that these facilities are settled in advance of the repayment dates either through re-financing or deleveraging.

On 11 March 2020 the World Health Organisation declared that the outbreak of Covid-19 represents a pandemic. Consequently the group has revisited its original assessment above in order to consider the impact of the current situation. The group's client base is diversified and is not significantly exposed to the performance of individual sectors. The share of revenue derived from our customers in travel, hospitality and retail has declined since the social distancing measures were put in place in the countries in which we operate.

Consequently, whilst the overall growth in 2020 will not be delivered in the same way or in the same industries as originally planned, the business is robust and has re-focused its sales and marketing efforts in other ways, including contactless and non-physical methods of payment.

The directors have implemented a number of risk management strategies to minimise the risk of exposure to the cash flow movements of merchants in distressed sectors and have remodelled the cash flow forecasts above to allow for the projected impact of the pandemic on the cash flows of the group for that period. These revised projections show that the entity can continue to settle its liabilities as they fall due within existing facilities and the directors have further identified discretionary capital expenditure which can be deferred in order to generate further headroom if it were to prove necessary.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

As the group has determined that sufficient cash flows exist for a period of at least twelve months from the date of signing these accounts the directors continue to adopt the going concern basis in the preparation of the financial statements.

2.4 Revenue

Revenue, which consists principally of commissions priced as a percentage of transaction value and specified fees per transaction generated from processing of electronic payment services transactions, comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

The service is deemed to have been rendered and completed once a transaction has been authorised and processed. The group bills its clients and recognises revenue as soon as this event takes place. Monthly fees are billed prior to month-end. Charges are either netted off from the value of the transactions processed or accumulated and collected following month-end depending on the model chosen by the client. The model is specified on the contract entered with the merchant together with the pricing.

The group provides a secure value-added payment gateway facility. The group recognises revenue when performance obligations have been satisfied and for the group this is once a transaction has been authorised and processed. The group bills its clients at the end of each month for any transactions that have been authorised and processed during that period.

Contract assets

Contract assets primarily relate to the group's right to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

2.5 Foreign currency translation

Functional and presentation currency

The group's presentational currency is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income'.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.6 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.7 Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax arises from temporary differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised through administrative expenses on a straight-line basis over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

The assets' carrying amounts and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Other licences

Expenses incurred in relation to acquiring principal membership status with two card schemes are capitalised and shown at historical cost. The assets are amortised through administrative expenses on a straight-line basis over three years, and are carried at cost less accumulated impairment losses.

The assets' carrying amounts and useful lives are renewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Customer relationships

Customer relationships acquired through business combinations are recorded at fair value at the date of acquisition less amortisation less impairment. Assumptions are used in estimating the fair value of these relationships and include management's estimates of revenue and profits to be generated by them. The assets are amortised through administrative expenses on a straight-line basis over five years.

Acquired technology

Technologies acquired through business combinations are recorded at fair value at the date of acquisition less amortisation less impairment. Assumptions are used in estimating the fair value of these relationships and include management's estimates of revenue and profits to be generated by the. The assets are amortised through administrative expenses on a straight-line basis over five years.

Goodwill

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually or when a change in circumstances or situation indicates that the goodwill has suffered an impairment loss. The need for impairment is tested by comparing the recoverable amount of the cash-generating unit (CGU) to the carrying value. Any impairment is recognised immediately in the income statement. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a business include the amount of goodwill relating to that business.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.10 Property, plant and equipment

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures, fittings and equipment - 3 years

Computer systems - 2-3 years

Right-of-use assets - Length of the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.11 Investment properties

Investment properties are recognised under the cost model and are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method over the length of the lease.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.12 Investments

Investments and other financial assets, other than investments in group undertakings, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Investments in subsidiary undertakings are held at cost less impairment.

2.13 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the group intends to sell immediately or in the short term, which are classified as held-for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or

(b) those for which the holder may not recover substantially all of their initial investment, other than because of credit deterioration.

Loans and receivables mainly consist of loans and advances to companies' funds receivable from card schemes and funds advanced as collateral. They are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest rate method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

The effective interest method is a method of calculating the cost of a financial asset or a financial liability (and groups of financial assets or financial liabilities) and of allocating the 'Net interest income' over the relevant period.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.15 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables include settlement processing obligations representing transactions that have been processed but not yet funded together with funds withheld from merchants that serve as collateral to minimise contingent liabilities associated with any losses that may occur under the merchant agreement ("merchant rolling reserve").

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.17 Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising in rate, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term. The amount included in administrative expenses in relation to short-term leases and low-value assets in the period is £60,105.

2.18 New and revised IFRSs in issue but not yet effective

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. Effective date deferred indefinitely.

Amendments to the References to the Conceptual Framework in IFRS Standards. Effective for periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material. Effective for periods beginning on or after 1 January 2020.

Amendments to IFRS 3: Definition of a Business. Effective for periods beginning on or after 1 January 2020.

Management anticipates that these new standards, interpretations and amendments will be adopted in the group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, will have no material impact on the consolidated financial statements of the group in the period of initial application.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of acquired intangibles

The group makes an estimate of the fair value of certain intangibles at the acquisition date of subsidiaries. When assessing the value of these assets the directors are required to identify and assign a value that a market participant would be willing to pay to acquire each of the intangibles being purchased. When assessing the fair value of intangibles, management considers factors including the estimated revenues and profits to be generated by the asset based on current and anticipated market conditions that have been considered and approved by the Board. See note 11 for the net carrying amount of acquired intangibles.

Impairment testing

Following the assessment of the recoverable amount of goodwill allocated to TruST Payments Limited, to which goodwill of £47.6m is allocated, the directors consider the recoverable amount of goodwill allocated to TruST Payments Limited to be most sensitive to the achievement of forecasts. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the group is able to manage most of TruST Payments Limited's costs, the revenue projections are inherently uncertain due to the nature of TruST Payments Limited's business and unstable market conditions. See note 12 for the net carrying amount of goodwill.

Fixed asset investments

Determining whether fixed asset investments are impaired requires an estimate of the fair value, less costs to sell of the investments. The fair value assessment requires the use of the group's current market presence and its projections. See note 15 for the net carrying amount of the fixed asset investments.

Impairment of trade receivables

The group makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 16 for the net carrying amount of the receivables and associated impairment provision.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Incremental borrowing rate

The group makes an estimate of the incremental borrowing rate which is used to calculate the present value of lease obligations on agreements entered that do not contain an implicit rate of interest. When assessing the incremental borrowing rate management consider current interest rates on group or subsidiary loans and interest rates available in the market place. See note 21 for the future minimum lease payments and the present value of minimum lease payments.

4. Operating profit

The operating profit is stated after charging:

| | Period ending 30 June 2019 £ |
|---|------------------------------------|
| Impairment of trade receivables | 288,855 |
| Depreciation of property, plant and equipment | 137,992 |
| Amortisation of intangible assets | 535,185 |
| Exchange differences | 138,800 |
| Defined contribution pension cost | 17,287 |
| | <hr/> |
| | <u>1,118,119</u> |

The loss for the period that relates to subsidiaries acquired during the period amounted to £710,884. There has not been a material difference between the profit generated by these acquisitions from the start of the groups reporting period and the date of acquisition.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

5. Revenue

The following is an analysis of the group's revenue for the period from continuing operations:

| | Period ended 30 June 2019 £ |
|------------------|--------------------------------------|
| Sale of services | <u><u>4,949,894</u></u> |

The total revenue of the group has been derived from contracts with customers.

Analysis of revenue by country of destination:

| | Period ended 30 June 2019 £ |
|-------------------|--------------------------------------|
| United Kingdom | 667,195 |
| Rest of Europe | 4,261,952 |
| Rest of the world | 20,747 |
| | <u><u>4,949,894</u></u> |

Timing of revenue recognition:

| | 2019 £ |
|---|-------------------------|
| Goods and services transferred at a point in time | 4,889,848 |
| Goods and services transferred over time | 60,046 |
| | <u><u>4,949,894</u></u> |

All revenue for the period was generated by subsidiaries acquired during the period. There is not a material difference between the revenue generated by these subsidiaries from the start of the group's reporting period of the parent company and the acquisition date.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

6. Other operating income

| | Period ended 30 June 2019 £ |
|----------------------|--------------------------------------|
| Net rents receivable | 23,502 |
| Sundry income | 143,057 |
| | <hr/> |
| | 166,559 |

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | Period ended 30 June 2019 £ |
|-----------------------------------|--------------------------------------|
| Wages and salaries | 954,576 |
| National insurance | 113,720 |
| Defined contribution pension cost | 17,287 |
| | <hr/> |
| | 1,085,583 |

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, including the directors of the company.

| | Period ended 30 June 2019 £ |
|--------------------|--------------------------------------|
| Wages and salaries | <hr/> |
| | 175,625 |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

7. Employees (continued)

| | 2019 Number |
|----------------------|----------------|
| Operating staff | 102 |
| Administrative staff | 37 |
| Management | 8 |
| Executives | 5 |
| | <u>152</u> |

8. Directors remuneration

| | 2019 £ |
|--------------------|---------------|
| Wages and salaries | <u>26,144</u> |

During the period retirement benefits were accruing to 1 director in respect of defined contribution pension schemes.

9. Finance income and expense

Recognised in profit or loss

| | Period ended 30 June 2019 £ |
|---|--------------------------------------|
| Finance expense | |
| Lease interest payable | 20,482 |
| Loan interest payable | 1,095,654 |
| Other finance charges | 1,381,400 |
| Total finance expense | <u>2,497,536</u> |
| Net finance expense recognised in profit or loss | <u>(2,497,536)</u> |

All financial expenses included above were in respect of liabilities not held at fair value through profit or loss.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

10. Tax expense

10.1 Income tax recognised in profit or loss

| | Period ended 30 June 2019 £ |
|---|--------------------------------------|
| Current tax | |
| Current tax on profits for the period | 102,041 |
| Total current tax | <u>102,041</u> |
| Deferred tax expense | |
| Origination and reversal of temporary differences | 140,460 |
| Total deferred tax | <u>140,460</u> |
| Total tax expense | <u>242,501</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

10. Tax expense (continued)

10.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the period are as follows:

| | Period ended 30 June 2019 £ |
|---|--------------------------------------|
| Loss for the period | (3,282,995) |
| Total tax expense | 242,501 |
| Loss before income taxes | (3,040,494) |
| Tax using the company's domestic tax rate of 19% | (577,694) |
| Expenses not deductible for tax purposes | 5,868 |
| Utilisation of tax losses | 102,430 |
| Higher rate taxes on overseas earnings | 52,990 |
| Unrelieved tax losses carried forward | 577,935 |
| Other differences leading to an increase/(decrease) in the tax charge | 80,972 |
| Total tax expense | 242,501 |

Changes in tax rates and factors affecting the future tax charges

A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. On 11 March 2020, the Chancellor of the Exchequer announced that legislation would be passed to retain the current 19% rate in April 2020. Both of these This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%.

The group has unrecognised losses to carry forward of approximately £7.3m. A deferred tax asset has been recognised of £0.17m in respect of these losses.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

10. Tax expense (continued)

10.2 Current tax assets and liabilities

| | Period ended 30 June 2019 £ |
|--------------------------------|--------------------------------------|
| Current tax liabilities | |
| Corporation tax payable | 413,061 |
| | <u>413,061</u> |

10.3 Deferred tax balances

The following is the analysis of deferred tax assets presented in the consolidated statement of financial position:

| | Period ended 30 June 2019 £ |
|--------------------------|--------------------------------------|
| Deferred tax assets | 669,805 |
| Deferred tax liabilities | (2,171,899) |
| | <u>(1,502,094)</u> |

Included in the deferred tax assets is an amount of £170,000 in respect of losses based on forecasted profits for the next 12 months.

| | Recognised in profit or loss £ | Foreign exchange movement £ | On acquisition of subsidiaries £ | Closing balance £ |
|------------------------------------|--------------------------------------|-----------------------------------|--|----------------------|
| 2019 | | | | |
| Deferred tax (asset)/liability | 140,460 | 5,216 | 1,356,418 | 1,502,094 |
| | | | | 2019 £ |
| Tax losses | | | | (170,000) |
| Fair value of acquired intangibles | | | | 2,122,529 |
| Fixed asset temporary differences | | | | 49,370 |
| Other temporary differences | | | | (499,805) |
| | | | | <u>1,502,094</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

11. Intangible assets

Group

| | Other licenses £ | Technology £ | Customer relationships £ | Computer software £ | Total £ |
|--|------------------------|------------------|--------------------------------|---------------------------|-------------------|
| Cost | | | | | |
| On acquisition of subsidiaries | 1,691,905 | 8,598,000 | 4,318,000 | 1,168,294 | 15,776,199 |
| Additions | 16,276 | - | - | 182,028 | 198,304 |
| Foreign exchange movement | 3,427 | - | - | 20,005 | 23,432 |
| At 30 June 2019 | 1,711,608 | 8,598,000 | 4,318,000 | 1,370,327 | 15,997,935 |
| | Other licenses £ | Technology £ | Customer relationships £ | Computer software £ | Total £ |
| Accumulated amortisation and impairment | | | | | |
| On acquisition of subsidiaries | 1,190,076 | - | - | 953,083 | 2,143,159 |
| Charge for the period | 84,647 | 286,600 | 143,933 | 20,005 | 535,185 |
| Foreign exchange movement | 2,410 | - | - | (19,830) | (17,420) |
| At 30 June 2019 | 1,277,133 | 286,600 | 143,933 | 953,258 | 2,660,924 |
| Net book value | | | | | |
| At 30 June 2019 | 434,475 | 8,311,400 | 4,174,067 | 417,069 | 13,337,011 |

Technology and customer relationships acquired of £12,916,000 represents the directors assessment of fair value at the acquisition date.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Company

Computer software £

Cost

20,100

Additions

20,100

At 30 June 2019

Computer software £

Accumulated amortisation and impairment

558

Charge for the period

558

At 30 June 2019

Net book value

19,542

At 30 June 2019

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

12. Goodwill

Group

| | 2019 £ |
|--|-------------------|
| Cost | |
| On acquisition of subsidiaries (see note 24.3) | 47,102,871 |
| At 30 June | <u>47,102,871</u> |
| Accumulated impairment | |
| At 30 June | <u><u>-</u></u> |

12.1 Allocation of goodwill to cash generating units

| | 2019 £ |
|-----------------|--------------------------|
| Payment Gateway | 4,311,289 |
| Acquiring bank | 42,791,582 |
| | <u><u>47,102,871</u></u> |

Acquiring bank and payment gateway

The goodwill recognised represents the expected future opportunities and staff expertise in the marketplace that the group operates.

The goodwill arising on the purchase of the two CGU and are considered to have an indefinite useful life and are reviewed for impairment at least annually or when a change in circumstances or situation indicates that the goodwill has suffered an impairment loss.

The directors have assessed the recoverable amount of the CGUs using the fair value less cost to sell method and concluded that no impairment is required.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

13. Investment property

Group

(i)

| | 2019 £ |
|---|----------------|
| Acquisition of subsidiaries (see note 24.3) | 784,639 |
| Depreciation | (51,276) |
| Foreign exchange rate movements | 35,772 |
| | <u>769,135</u> |

Right of use investment properties relate to sub-leased parts of one of the groups offices and neighbouring parking spaces. As the group does not own the right of use investment properties and rents these through an operating lease a fair value cannot be reliably measured.

During the period rental income from investment properties was £23,502.

14. Property, plant and equipment

Group

| | Fixtures and fittings £ | Office equipment £ | Computer equipment £ | Right of use assets Leasehold property £ | Total £ |
|-----------------------------|-------------------------------|--------------------------|----------------------------|--|------------------|
| Cost or valuation | | | | | |
| Acquisition of subsidiaries | 183,443 | 93,730 | 1,039,338 | 1,669,196 | 2,985,707 |
| Additions | 33,193 | - | 40,049 | 204,484 | 277,726 |
| Foreign exchange movements | 277 | 190 | (32,465) | 34,827 | 2,829 |
| At 30 June 2019 | <u>216,913</u> | <u>93,920</u> | <u>1,046,922</u> | <u>1,908,507</u> | <u>3,266,262</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

14. Property, plant and equipment (continued)

| | Fixtures and fittings £ | Office equipment £ | Computer equipment £ | Right of use assets Leasehold property £ | Total £ |
|--|-------------------------------|--------------------------|----------------------------|--|------------------|
| Accumulated depreciation and impairment | | | | | |
| On acquisition of subsidiaries | 160,897 | 66,923 | 955,588 | 68,647 | 1,252,055 |
| Charge for the period | 4,188 | 4,736 | 40,690 | 37,102 | 86,716 |
| Exchange adjustments | 228 | 136 | (6,015) | 41,211 | 35,560 |
| At 30 June 2019 | 165,313 | 71,795 | 990,263 | 146,960 | 1,374,331 |
| Net book value | | | | | |
| At 30 June 2019 | 51,600 | 22,125 | 56,659 | 1,761,547 | 1,891,931 |

The fair value of property, plant and equipment is not materially different from the carrying amount.

Company

| | Fixtures and fittings £ | Right of use assets Leasehold property £ | Total £ |
|--|-------------------------------|--|----------------|
| Cost or valuation | | | |
| Additions | 33,013 | 204,484 | 237,497 |
| At 30 June 2019 | 33,013 | 204,484 | 237,497 |
| Accumulated depreciation and impairment | | | |
| Charge for the period | 2,751 | 6,996 | 9,747 |
| At 30 June 2019 | 2,751 | 6,996 | 9,747 |
| Net book value | | | |
| At 30 June 2019 | 30,262 | 197,488 | 227,750 |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

15. Subsidiaries

Group

Details of the group's material subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Registered office |
|--|--------------------|---|
| 1) SecureTrading Financial Services Limited | Acquiring bank | Level 2, Ewropa Business Centre, Birkirkara, BKR 9034, Malta |
| 2) SecureTrading Limited | Payment gateway | 1 Royal Exchange, London, EC3V 3DG, England |
| 3) SecureTrading Financial Services Holdings Limited | Holding company | Level 2, Ewropa Business Centre, Birkirkara, BKR 9034, Malta |
| 4) SecureTrading Services Limited | Holding company | Level 2, Ewropa Business Centre, Birkirkara, BKR 9034, Malta |
| 5) SecureTrading Group Inc. | Holding company | 56 Perimeter Center, Suite 150, Atlanta, GA 30346, United States of America |
| 6) SecureTrading Inc. | Payment gateway | 56 Perimeter Center, Suite 150, Atlanta, GA 30346, United States of America |

The group owns 100% of the issued share capital and voting rights of the above subsidiaries.

Company

| | |
|---------------------------|--------------------------|
| | 2019 £ |
| Additions | 64,871,490 |
| As at 30 June 2019 | <u>64,871,490</u> |

During the period the company bought a 100% share of SecureTrading Limited, SecureTrading Financial Services Holdings Limited and SecureTrading Group Inc whose registered offices are listed above.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

16. Trade and other receivables

| | 2019 £ |
|--|---------------------|
| Receivables from contracts with customers | 15,046,728 |
| Receivables from contracts with customers - net | 15,046,728 |
| Receivables from related parties | 99 |
| Total financial assets other than cash and cash equivalents classified as loans and receivables | 15,046,827 |
| Prepayments and accrued income | 412,417 |
| Other receivables | 257,187 |
| Total trade and other receivables | 15,716,431 |
| Less: current portion - trade receivables | (15,046,728) |
| Less: current portion - prepayments and accrued income | (412,417) |
| Less: current portion: other receivables | (257,187) |
| Less: current portion - receivables from related parties | (99) |
| Total current portion | (15,716,431) |
| Total non-current portion | - |

Receivables from contracts with customers are stated after provisions for impairment of £1,512,504, relating to receivables arising from contracts with customers.

Included in prepayments and accrued income are contract assets of £27,061. No impairment loss has been recognised in the period on any contract assets arising from the group's contracts with customers.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

| Company | | 2019 £ |
|--|--|---------------------|
| Receivables from related parties | | 99 |
| Total financial assets other than cash and cash equivalents classified as loans and receivables | | 99 |
| Prepayments and accrued income | | 10,251 |
| Other receivables | | 243,677 |
| Total trade and other receivables | | 254,027 |
| Less: current portion - receivables from related parties | | (99) |
| Less: current portion - prepayments and accrued income | | (10,251) |
| Less: current portion - other receivables | | (243,677) |
| Total current portion | | (254,027) |
| Total non-current position | | - |
| | | |
| 17. Trade and other payables | | |
| Group | | 2019 £ |
| Trade payables | | 15,785,978 |
| Other payables | | 31,401,563 |
| Accruals | | 685,090 |
| Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost | | 47,872,631 |
| Other payables - tax and social security payments | | 742,531 |
| Total trade and other payables | | 48,615,162 |
| Less: current portion - trade payables | | (15,785,978) |
| Less: current portion - other payables | | (32,144,094) |
| Less: current portion - accruals | | (685,090) |
| Total current portion | | (48,615,162) |
| Total non-current position | | - |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Company

| | 2019 £ |
|--|--------------------|
| Trade payables | 185,244 |
| Payables to related parties | 22,184,945 |
| Other payables | 15,318 |
| Accruals | 75,345 |
| Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost | <hr/> 22,460,852 |
| Other payables - tax and social security payments | 135,332 |
| Total trade and other payables | <hr/> 22,596,184 |
| Less: current portion - trade payables | (185,244) |
| Less: current portion - payables to related parties | (22,184,945) |
| Less: current portion - other payables | (150,650) |
| Less: current portion - accruals | (75,345) |
| Total current portion | <hr/> (22,596,184) |
| Total non-current position | <hr/> <hr/> - |

Amounts payable to related parties are unsecured, interest free and repayable on demand.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

18. Loans and borrowings

Group

| | 2019 £ |
|-----------------------------------|-------------------|
| Non-current | |
| Loans | 45,151,850 |
| Lease liabilities | 2,013,721 |
| | <hr/> |
| | 47,165,571 |
| Current | |
| Lease liabilities | 598,294 |
| | <hr/> |
| | 598,294 |
| | <hr/> |
| Total loans and borrowings | 47,763,865 |

Loans are secured by fixed and floating charges over the assets and intellectual property of the group.

The loans bear interest at 14-20% and are repayable within 1 to 2 years.

Included in non-current loans are loans of £46,022,742 stated net of £870,892 of transaction fees which are being amortised over the loan period.

The currency profile of the group's loans and borrowings is as follows:

| | 2019 £ |
|-----|------------|
| GBP | 31,720,644 |
| EUR | 16,043,221 |
| | <hr/> |
| | 47,763,865 |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

| Company | 2019 £ |
|-----------------------------------|--------------------------|
| Non-current | |
| Loans | 45,151,850 |
| | <u>45,151,850</u> |
| Current | |
| Lease liabilities | 200,843 |
| | <u>200,843</u> |
| Total loans and borrowings | <u><u>45,352,693</u></u> |

Loans are secured by fixed and floating charges over the assets and intellectual property of the group.

The loans bear interest at 14-20% and are repayable within 1 to 2 years.

Included in non-current loans are loans of £46,022,742 stated net of £870,892 of transaction fees which are being amortised over the loan period.

The currency profile of the company's loans and borrowings is as follows:

| | 2019 £ |
|-----|-------------------|
| GBP | 31,720,644 |
| EUR | 13,632,049 |
| | <u>45,352,693</u> |

19. Share capital

Authorised

| | 2019 Number | 2019 £ |
|--|----------------|------------|
| Shares treated as equity | | |
| Allotted, called up and fully paid shares of £1 each | 100 | 100 |
| | <u>100</u> | <u>100</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

19. Share capital (continued)

Issued and fully paid

| | 2019 Number | 2019 £ |
|---|----------------|------------|
| Allotted, called up and fully paid shares of £1 each | | |
| Shares issued | 100 | 100 |
| At 30 June | 100 | 100 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Reserves

Foreign exchange reserve

The foreign exchange reserve represents foreign exchange differences arising on the change in the functional currency of subsidiary undertakings with effect from 8 May 2019 and cumulative translation differences arising on translation of the net investment in subsidiary undertakings in the current and prior year.

Retained earnings

Retained earnings represents accumulated comprehensive income for the period.

21. Leases

Group

Future lease payments are due as follows:

| | Minimum lease payments £ | Interest £ | Present value £ |
|---------------------------------|--------------------------------|------------------|--------------------|
| 2019 | | | |
| Not later than one year | 596,245 | (30,202) | 566,043 |
| Between one year and five years | 1,621,694 | (248,645) | 1,373,049 |
| Later than five years | 837,417 | (164,494) | 672,923 |
| | 3,055,356 | (443,341) | 2,612,015 |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

21. Leases (continued)

| | |
|-------------------------|----------------|
| Non-current liabilities | 2,013,721 |
| Current liabilities | <u>598,294</u> |

Company

Leases

Future lease payments are due as follows:

| | Minimum lease payments £ | Interest £ | Total £ |
|-------------------------|--------------------------------|-----------------|----------------|
| Not later than one year | <u>219,600</u> | <u>(18,757)</u> | <u>200,843</u> |

22. Financial risk management

Financial risk factors

The group's activities potentially expose it to a variety of financial risks including credit risk, market risk, specifically foreign exchange risk, and liquidity risk (see note 23). Accordingly, the directors provide principles for overall risk management as well as policies covering specific areas. In order to manage these risks, the group did not make use of derivative financial instruments to hedge certain risk exposures during the periods.

(a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and rises principally from the group's receivables from customers, receivables from intra group balances and negative balances. The carrying amounts of financial assets represent the maximum credit exposure.

The group's exposures to credit risk as at the end of the reporting period based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets are analysed as follows:

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

| | 2019 Group £ |
|---------------------------------------|-------------------------------|
| Trade and other receivables (note 16) | 15,046,728 |
| Cash and cash equivalents (note 25) | 10,860,006 |
| | <hr/> 25,906,734 <hr/> |

Group trade and other receivables from third party financial institutions consists of £9.7m of deposits held with reputable financial institutions of high quality rating, as a financial safeguard in relation to Visa and Mastercard ("the card schemes") together with an amount of £3.5m representing funds receivable from card schemes relating to transactions processed in the last few processing days of the period. The group considers the funds advanced as collaterals to have low risk based on the external credit ratings of the counterparties which does not attract any material expected credit losses ("ECL"). The remainder of the balances relate to amounts due from parties who are not financial institutions where the group internally assess the credit risk through credit checks and customer payment history.

Whilst the group notionally has concentration risk in respect of having receivables from two card schemes, these card schemes are underpinned by financial stability/creditworthiness within the wider financial markets. Card schemes interpose themselves between issuing and acquiring banks to ensure the performance of transactions being processed by using several layers of financial safeguards to cover losses resulting from the default of one or more member. Accordingly, the credit risk emanating from the group's exposures to card schemes are deemed by the directors to be insignificant.

The group is also exposed to credit risk to the extent that the card schemes of which it is a member may charge-back credit card purchases. In order to manage its credit card exposures arising from its payment processing operations, the group compiles and updates due diligence reports in respect of its merchants and establishes appropriate transaction volumes and value limits. The group monitors its merchants' adherence to limits in relation to charge-backs on a daily basis to prevent any collection losses that are inherent in the group's payment processes.

Credit concentration risk also exists with respect to the group's cash equivalents, which are held with a reputable financial institution of high quality standing which are A rated. ECL on cash and cash equivalents is insignificant due to the low risk based on the external credit rating of the counterparties.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(b) Market risk

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The group takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. To reduce its currency exposure, the group generally matches its assets and liability positions represented by the amounts due from card schemes and funds attributable to merchants with the relative amounts due to the merchants. The remaining open foreign exchange exposures mainly consist of part of the funds advanced as collateral to card schemes, bank balances and part of the amounts receivable from group undertakings denominated in foreign currency.

As at the financial reporting date, the group was mainly exposed to foreign currency risk on amounts receivable from group undertakings.

A breakdown of the groups exposure to foreign currency is as follows:

| | Asset | Liability |
|-----|------------------|---------------------|
| | £ | £ |
| USD | 3,788,556 | (10,980,730) |
| EUR | 642,276 | (13,892,999) |
| AUD | 236,262 | - |
| CAD | 257,547 | (15,730) |
| CHF | 416,416 | (1,027,901) |
| DKK | 235,724 | - |
| HKD | 67,657 | - |
| JPY | 67,220 | - |
| NOK | 64,500 | - |
| NZD | 164,439 | - |
| PLN | 203,546 | - |
| SEK | 77,692 | - |
| ZAR | 94,201 | - |
| | <u>6,316,036</u> | <u>(25,917,360)</u> |

The group has net liabilities denominated in foreign currencies of £19,601,323 as at 30 June 2019. Based on this exposure had sterling weakened by 10% against these foreign currencies with all other variables held constant the group's comprehensive income for the period would have been £1,960,132 lower. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months and the spot rate at the reporting date.

(c) Interest rate risk

The majority of the group loans bear interest at a fixed rate mitigating the group's exposure to interest rate risk.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Financial instruments - fair values and risk management

23.1 Liquidity risk management

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the group may be required to pay.

| | Carrying amount £ | Total £ | 1 - 3 months £ | 3 - 12 months £ | 1 - 2 years £ | 2 - 5 years £ | More than 5 years £ |
|---------------------------|-------------------------|-------------------|----------------------|-----------------------|---------------------|---------------------|------------------------------|
| 30 June 2019 | | | | | | | |
| Secured loans | 15,151,850 | 58,767,589 | - | - | 58,767,589 | - | - |
| Finance lease liabilities | 2,612,015 | 3,010,313 | 149,059 | 447,177 | 376,635 | 1,200,025 | 837,417 |
| Trade payables | 15,785,978 | 15,785,978 | 15,785,978 | - | - | - | - |
| Other payables | 31,401,563 | 31,401,563 | 31,401,563 | - | - | - | - |
| | | | | | | | |
| | <u>34,951,406</u> | <u>98,965,443</u> | <u>17,336,600</u> | <u>447,177</u> | <u>59,144,224</u> | <u>1,200,025</u> | <u>837,417</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

23. Financial instruments - fair values and risk management (continued)

23.1 Liquidity risk management (continued)

Financing facilities

| | 30 June 2019 £ |
|-------------------------------|----------------------|
| Secured loan facility: | |
| - amount used | 46,022,743 |
| - amount unused | 462,768 |
| | <u>46,485,511</u> |

23.2 Fair value measurements

This note provides information about how the group determines fair values of various financial assets and liabilities.

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined in particular, the valuation techniques and inputs used.

| Financial assets/liabilities | Fair value at period end 2019 | Fair value hierarchy | Valuation technique(s) and key input(s) |
|------------------------------|----------------------------------|----------------------|--|
| Money market funds | 3,830,060 | Level 2 | Quoted prices in active markets are identified for similar assets |
| Unlisted shares | 1,145,582 | Level 3 | Fair value as at the financial reporting date, referenced has been made to similar listed instruments after applying a 15% discount to unmarketability |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

23. Financial instruments - fair values and risk management (continued)

23.2 Fair value measurements (continued)

Reconciliation of fair value measurements

| | Money market funds £ | Unlisted shares £ | Total £ |
|--|----------------------------|-------------------------|------------------|
| 30 June 2019 | | | |
| Purchased on acquisition of subsidiary | 3,825,558 | 1,098,544 | 4,924,102 |
| Total gains or losses: | | | |
| - in profit or loss | (116,820) | 44,462 | (72,358) |
| Foreign exchange movement | 121,322 | 2,576 | 123,898 |
| Closing balance | <u>3,830,060</u> | <u>1,145,582</u> | <u>4,975,642</u> |

The level 3 assets are subject to the unobservable input of the discount due to unmarketability. A 5% change would increase/decrease the fair value by £67,387.

24. Business combinations during the period

24.1 Subsidiaries acquired

| Name | Principal activity | Date of acquisition | Proportion of voting equity interests acquired % | Consideration transferred £ |
|---------------------|---|------------------------|--|-----------------------------------|
| SecureTrading Group | Provision of integrated online/mobile acquiring and payment processing services | 08/05/ | 100 | <u>64,871,490</u> |
| | | | | <u>64,871,490</u> |

24.2 Consideration transferred

| | Secure Trading Group £ |
|---------------|---------------------------------|
| Debt acquired | <u>64,871,490</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

24. Business combinations during the period (continued)

24.3 Assets acquired and liabilities recognised at the date of acquisition

| | Secure Trading Group £ | Fair value adjustment £ | Total £ |
|--------------------------------|---------------------------------|-------------------------------|-------------------|
| Non-current assets | | | |
| Property, plant and equipment | 1,733,652 | - | 1,733,652 |
| Intangible assets | 717,040 | 12,916,000 | 13,633,040 |
| Investment properties | 784,639 | - | 784,639 |
| Current assets | | | |
| Cash and cash equivalents | 10,364,708 | - | 10,364,708 |
| Trade and other receivables | 45,207,240 | - | 45,207,240 |
| Deferred tax asset | 839,302 | - | 839,302 |
| Investments | 4,924,102 | - | 4,924,102 |
| Non-current liabilities | | | |
| Lease liability | (2,293,505) | - | (2,293,505) |
| Deferred tax liabilities | - | (2,195,720) | (2,195,720) |
| Current liabilities | | | |
| Trade and other liabilities | (55,161,709) | - | (55,161,709) |
| Lease liability | (67,130) | - | (67,130) |
| | <u>7,048,339</u> | <u>10,720,280</u> | <u>17,768,619</u> |

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

24. Business combinations during the period (continued)

24.4 Goodwill arising on acquisition

| | Secure Trading Group | Total |
|--|-------------------------|-------------------|
| | £ | £ |
| Consideration transferred | 64,871,490 | 64,871,490 |
| Fair value of net assets acquired | (17,768,619) | (17,768,619) |
| Goodwill arising on acquisition | 47,102,871 | 47,102,871 |

24.5 Net cash inflow on acquisition

| | 2019 £ |
|--|-------------------|
| Cash and cash equivalent balances acquired | 10,364,708 |

24.6 Impact of acquisition on the results of the group

All subsidiary entities were purchased on 8 May 2019 and there is no material difference between the results for the period to 30 June 2019 and that of the period of accounts of Trust Payments Limited.

25. Notes supporting statement of cash flows

| | 2019 £ |
|---|-------------------|
| Cash at bank available on demand | 10,860,006 |
| Cash and cash equivalents in the statement of financial position | 10,860,006 |
| Cash and cash equivalents in the statement of cash flows | 10,860,006 |

Significant non-cash transactions are as follows:

Investing activities

| | |
|------------------------------|----------------|
| Right of use assets acquired | 204,484 |
|------------------------------|----------------|

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Changes in liabilities arising from financing activities

| | Loans £ | Lease Liability £ | Total £ |
|-------------------------------|-------------------|-------------------------|-------------------|
| Acquired on acquisition | 36,324,653 | 2,360,635 | 38,685,288 |
| Acquisition by means of lease | - | 204,484 | 204,484 |
| Proceeds of borrowing | 8,717,552 | - | 8,717,552 |
| Repayments made | - | (8,540) | 8,540 |
| Loan arrangement fees | (870,892) | - | (870,892) |
| Interest payable | 1,095,654 | 20,482 | 1,116,136 |
| Foreign exchange | (115,117) | 34,954 | (80,163) |
| | <u>45,151,850</u> | <u>2,612,015</u> | <u>47,763,865</u> |

26. Related party transactions

Group and company

Transactions with related parties are as follows:

| Name | Transaction | Amount | Amount due (to)/from related parties | |
|-------------------------|--------------------------------|---------|--------------------------------------|------------|
| | | | 2019 £ | 2019 £ |
| CORDET Lending S.à r.l. | Loan (net of transaction fees) | - | - | 32,152,796 |
| (Shareholder) | Interest | 828,232 | - | - |
| Ture Invest AB | Loan (net of transaction fees) | - | - | 13,869,946 |
| (Shareholder) | Interest | 267,422 | - | - |

Amounts owed to related parties are secured by fixed and floating charges over the groups assets and charge interest between 14-20%.

TRUST PAYMENTS LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

27. Post balance sheet events

On 3 September 2019 the company and group extended its loan facility by EUR 5.5m. On 23 December 2019 the company and group extended its loan facility a further EUR 5.5m and lengthened the repayment term as set out in note 2.3 to the financial statements. On 30 April 2020 the company and group further extended its existing loan facility by EUR 3.5m.

On 11 March 2020 the World Health Organisation declared that the outbreak of Covid-19 represents a pandemic. This is considered to represent a non-adjusting post balance sheet event. The group's client base is diversified and is not significantly exposed to the performance of individual sectors. The share of revenue derived from our customers in travel, hospitality and retail has declined since the social distancing measures were put in place in the countries in which we operate. Consequently, whilst the overall growth in 2020 will not be delivered in the same way or in the same industries as originally planned, the business is robust and has re-focused its sales and marketing efforts in other ways, including contactless and non-physical methods of payment. The directors continue to monitor the outbreak the impact of the outbreak on the business and at the date of this report do not anticipate material impairments to assets recognised within these financial statements.

Our staff are able to work at home effectively and we have experienced little operational disruption to our business.

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Trust Payments Holdings Limited, an entity incorporated in England & Wales and with a registered office of 1 Royal Exchange, London, EC3V 3DG.

There is no one ultimate controlling party. The ultimate parent company is CORDET Direct Lending SCSp, an entity incorporated in Luxembourg.

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