

**PSI-Pay Limited**

**Annual report and financial statements  
for the year ended 31 December 2016**

Registered number: 05899168

THURSDAY



\*A64RDDIQ\*

A12

20/04/2017

#151

COMPANIES HOUSE

# **PSI-Pay Limited**

## **Contents**

	<b>Page</b>
Strategic report	2
Directors' report	6
Directors' responsibilities statement	8
Independent Auditors' report	9
Profit and loss account	10
Balance sheet	11
Cash flow statement	12
Statement of changes in equity	13
Notes to the financial statements	14

# **PSI-Pay Limited**

## **Strategic report**

The Directors of PSI-Pay Limited ("the Company") present their Strategic Report for the year ended 31 December 2016.

### **Review of the business**

The principal activity of PSI-Pay Limited is that of an e-money issuer regulated by the Financial Conduct Authority under the Electronic Money Regulations 2011 (Register ref: 900011) for the issuing of electronic money and this regulatory status has been passported to include all EEA states. The Company is a Principal Member of MasterCard and has developed a Bank Identification Number, 'BIN', sponsorship payment card issuance model as a secondary activity to its e-money business. It is anticipated that the Company will continue to operate its core businesses in the same way over the forthcoming year.

Turnover increased in 2016 by 58% from £4,116,028 to £6,515,748, primarily due to the increased number of active e-wallets in operation, while gross profit actually decreased by 3% from £1,706,586 to £1,649,127 largely due to £397,072 being expended on compliance fees to become a MasterCard Digital Wallet Operator. As a result, net profit before tax decreased by 17% from £982,378 to £819,282.

The Company's BIN sponsorship business also showed steady growth during the year (27% in revenue) with the number of active clients during the year increasing from 11 to 14. Funds held on behalf of these clients at year-end and included in Qualifying Liquid Assets totalled £9.1 million, decreased from £10.1 million at the previous year-end.

### **Brexit Implications**

The possibility of losing passporting rights, currently provided for under the EU 2nd Banking Directive, has been discussed at board meetings. The conclusion is that, should the need arise, we will open a sub-office in another jurisdiction and obtain a license which will be passported to cover the remaining EU/EEA territories. We have already been approached by some of the forward thinking jurisdictional authorities offering a 'fast track' route to licensing given we are already authorised by the FCA. We have approached MasterCard as to their view since we have membership extensions covering EU/EEA. We have been told that MasterCard would have no issues maintaining those license extensions provided the new licensee had full EU passporting in place. Our conclusion is that, whilst we have no way of knowing the conditions that Brexit will dictate, we are ready for the worst case scenario. Revenues and costs relating to the sponsorship of third party card programs have been recognised in PSI-Pay Limited, as this is the Company which is a principal member of MasterCard and therefore the supplier of card services.

### **Key performance indicators**

PSI-Pay operates an analytical approach (using KPI's) to measure itself against past performance using actual versus historical benchmark data. It also operates a similar approach against its own industry in order to ascertain its performance against common industry standards.

### **Internal KPI's**

The basis of these analytics is data relating to volume of business throughput (gross funds on deposit), turnover, costs of sale and profitability. From these benchmarks we can ascertain how we are performing against historical results, can quickly identify areas of anomaly, and plot trends against industry/market events. If a particular area is identified as a concern then we can drill down to micro level to identify and resolve any issues. For example, we can look at costs of sale and identify a specific area that may have disproportionately increased, we can then identify if the increase is justified or not and act accordingly. This benchmark data can also assist in our future business projections and aid in the measurement of performance against projected targets. We prefer to use these fundamental measures since they are not subject to any fluctuation such as for example, any changes in regulatory reporting.

# **PSI-Pay Limited**

## **Strategic report (continued)**

### **External KPI's**

The purpose of analysing external data is to enable PSI-Pay to measure its performance directly against the performance of its own market as a whole. Using these measures we can see, at a glance if we are meeting, exceeding or falling short of our industry peers.

It is possible to ensure that we are performing to our optimum level or, if not, we can investigate why we are not, and act accordingly. In addition by using external KPI's we can plot trends which assist us in enabling us to be ready to be at the leading edge. We can also plot against the cause and effect of market forces such as socio-economic, political, regulatory, economic and other events. Such KPI's will include average transaction value, average consumer annual spend, POS/ATM spend, cross border versus domestic transaction activity and card versus bank loading.

The sources of data are from our own databases, in the case of internal KPI's and from industry sources such as card schemes (Visa/MasterCard), industry associations (Electronic Money Association / Prepaid International Forum / regulatory bodies) and independent data bureaux (DataMonitor, IoD, D&B, for example).

### **Principal risks and uncertainties**

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

#### **Market risk**

The Company issues e-money in a number of different currencies but mainly settles in Sterling, Euros and US Dollars and this may result in significant foreign exchange exposures which are not reduced through the use of hedging techniques at this time. Foreign currency risk is monitored on a daily basis to ensure that potential exposure is kept within the Financial Conduct Authority requirement for e-money issuers.

The Company invests the majority of e-money in non-interest bearing accounts with various financial institutions. As a consequence there is little exposure to movements in interest rates.

#### **Credit risk**

The Company has a small amount due from clients in relation to the BIN Sponsorship business. It does however hold a significant amount of cash with various other financial institutions. The Company monitors the concentration of the risk on a particular counterparty and place the majority of funds with A rated institutions.

#### **Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets of the Company safely and profitably. The Company is financed through equity. At 31 December 2016 the Company had a positive net cash balance of own funds of £873,762 (2015: £743,887).

#### **Capital management risk**

There can be no assurance that the regulatory body providing a licence to the Company, namely the Financial Conduct Authority, will not change their licensing requirements, including the terms and conditions to which the licence and approval currently held by the Company are subject. If a regulatory scheme under which the Company operates were to change its licensing requirements, the Company may be required to expend significant capital or other resources to comply with the new requirements and/or may not be able to meet the new requirements, either or a

## **PSI-Pay Limited**

### **Strategic report (continued)**

#### **Capital management risk (continued)**

combination of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The merchants that participate in the Company's EcoPayz payment system may themselves be regulated by the relevant regulators in the jurisdictions in which they are based, and therefore the position in their place of supply (and where their regulators and applicable local laws deem the gambling transaction to take place) is explicitly legal. However, the supply of internet based services continues to be subject to complex, inconsistent and often protectionist approaches by jurisdictions worldwide. There is therefore a risk that action taken by these jurisdictions may result in a significant downturn in merchant activity, with a corresponding downturn in the revenues and profits of the Company.

#### **Customer fraud risk**

The Company faces the risk of fraud from customers that seek to abuse the payment methods that it offers. Accordingly, the Company has policies and procedures to identify suspicious transactions to prevent significant levels of fraud occurring. Management continually review these policies and procedures and enhance them where new threats are identified.

#### **Competition risk**

The Company competes with a number of other companies, some of which have greater financial, marketing and other resources than the Company. These companies may adopt more aggressive pricing policies or undertake more extensive marketing and advertising campaigns. This may have a negative impact on revenues or profit margin achieved by the Company in the future. The Company closely monitors competition within the industry and has a long term approach to improving its products, marketing and infrastructure.

#### **Supplier risk**

The Company has relationships with a number of key third party suppliers who provide products and services which support the delivery of sophisticated, high performance transaction processing systems. However the Company exercises little control over many of these third party suppliers and is reliant on them to perform their services in accordance with the terms of their contracts, which increases its vulnerability to problems with the products and services they provide. Any adverse event affecting the Company's relationship with them could have a material adverse effect on the Company's reputation, business, financial condition and results of operations. The Company attempts to mitigate this risk by having multiple suppliers whenever possible.

#### **Technology risk**

The Company's operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. In addition to such failure, there can be no assurance that such technology or systems will not be subject to damage or interruption caused by human error, unauthorised access, computer viruses, distributed denial of service (DDoS) attacks, increase in volume in usage of online services, sabotage, natural hazards or disasters or other similarly disruptive events including other security breaches, or will be able to support a significant increase in online traffic or increased customer numbers. Any failure or disruption of, or damage to, the Company's technology or systems, could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company has in place data recovery and systems recovery procedures, security measures, and business continuity plans in the event of failure or disruption of, or damage to, the Company's technology or systems.

## **PSI-Pay Limited**

### **Strategic report (continued)**

#### **Future Developments**

The Company has now established two distinct business areas, that of the e-wallet (digital account) and that of payment card issuance. With regards to the e-wallet business a strategy for expanding into other key geographic areas is being continually researched and reviewed and an entry plan has been formulated for each territory based upon commercial merit, political and regulatory guidelines and other risk based criteria. The Company introduced a voucher-based line of business during the last quarter of 2016. Early indications are that it is going to be very successful and should contribute to the Company's revenue and profit in the longer term.


A 'BIN' sponsorship card issuance initiative was tested during 2013, the concept was proven during 2014, and its continued success during 2015 and 2016, has prompted the Company to expand its new corporate client base. The Company has developed a unique on-boarding business model which sets industry standards in this area but is a process of evolution in order to maintain competitive advantage whilst continuing to be best of breed. In both business areas the Company has been keen to measure and plot its development against its own, and industry standard KPI's. To this end a more sophisticated data capture and extrapolation technology has been designed which has now been rolled out to replace the separate inter departmental reporting which was previously in place.

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

#### **Registered office**

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

Approved by the Board and signed on its behalf by:



**Philip J Davies**  
Director  
6 April 2017

## **PSI-Pay Limited**

### **Directors' report**

The directors present their annual report on the affairs of PSI-Pay Limited ("the Company"), together with the financial statements and auditor's report, for the year ended 31 December 2016.

#### **Results and Dividends**

The results for the year are shown on page 8. The profit after tax for the year attributable to shareholders amounted to £654,825 (2015: £782,918). The Directors do not recommend payment of a dividend (2015: £1,200,000).

#### **Going concern**

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

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

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

The Company's activities expose it to a number of financial risks including foreign currency risk, cash flow risk and fraud risk and these are discussed in the Strategic Report on page 2.

#### **Directors**

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

Philip J Davies  
Anthony R Davis  
Jonathan Amrani  
Craig James

#### **Directors' indemnities**

The Company makes qualifying third party indemnity provisions for the benefit of its directors.

#### **Future developments**

Details of future developments can be found in the Strategic Report on page 3.

## **PSI-Pay Limited**

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

#### **Auditor**

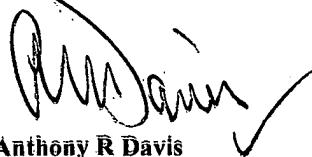
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

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

Approved by the Board and signed on its behalf by:



**Anthony R Davis**  
Director

6 April 2017

Afon Building  
Worthing Road  
Horsham  
West Sussex  
RH12 1TL



## **PSI-Pay Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

## **Independent auditor's report to the members of PSI-Pay Limited**

We have audited the financial statements of PSI-Pay Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP) (as issued on 1 December 2010).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Peter Birch FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Douglas, Isle of Man

## PSI-Pay Limited

### Profit and loss account

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	6,393,681	4,092,752
Investment income	4	122,067	23,276
<b>Total income</b>		<b>6,515,748</b>	<b>4,116,028</b>
Cost of sales		(4,866,621)	(2,409,442)
<b>Gross profit</b>		<b>1,649,127</b>	<b>1,706,586</b>
Administrative expenses		(829,754)	(723,948)
<b>Operating profit</b>		<b>819,373</b>	<b>982,638</b>
Finance costs	5	(91)	(260)
<b>Profit on ordinary activities before taxation</b>	6	<b>819,282</b>	<b>982,378</b>
Tax on profit on ordinary activities	9	(164,430)	(199,460)
<b>Profit for the financial year</b>		<b>654,852</b>	<b>782,918</b>

All results derive from continuing operations.

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

The notes on pages 14 to 30 form an integral part of these financial statements.

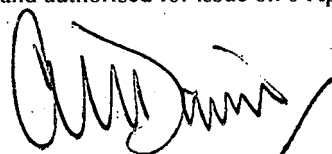
# PSI-Pay Limited

## Balance Sheet

For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Non-current assets</b>			
Tangible fixed assets	12	620	2,874
Deferred tax asset	14	2,994	2,994
		<u>3,614</u>	<u>5,868</u>
<b>Current assets</b>			
Debtors	13	207,942	302,585
Qualifying liquid assets	11	30,611,274	22,607,392
Cash at bank and in hand		873,762	743,887
		<u>31,692,978</u>	<u>23,653,864</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(28,303,843)</u>	<u>(20,921,835)</u>
<b>Net current assets</b>		<u>3,389,135</u>	<u>2,732,029</u>
<b>Total assets less current liabilities</b>		<u>3,392,749</u>	<u>2,737,897</u>
<b>Net assets</b>		<u>3,392,749</u>	<u>2,737,897</u>
<b>Capital and reserves</b>			
Called-up share capital	16	2,700,003	2,700,003
Profit and loss account		692,746	37,894
<b>Shareholders' funds</b>		<u>3,392,749</u>	<u>2,737,897</u>

The financial statements of PSI-Pay Limited (registered number 05899168) were approved by the board of directors and authorised for issue on 6 April 2017. They were signed on its behalf by:



**Anthony R Davis**  
Director

The notes on pages 14 to 30 form an integral part of these financial statements.

# PSI-Pay Limited

## Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Operating profit</b>		819,373	982,638
Adjustments for:			
Depreciation of plant and equipment	12	2,819	4,309
Decrease in trade and other receivables		94,643	620,532
Increase in trade and other payables		7,417,116	12,086,043
<b>Cash from operations</b>		<u>8,333,951</u>	<u>13,693,522</u>
Interest paid	5	(91)	(260)
Income taxes paid		(199,538)	(140,949)
<b>Net cash generated from operating activities</b>		<u>8,134,322</u>	<u>13,552,313</u>
<b>Cash flows from investing activities</b>			
Purchases of plant and equipment		(565)	-
		<u>(565)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Dividends paid	10	-	(1,200,000)
		<u>-</u>	<u>(1,200,000)</u>
<b>Net increase in cash and cash equivalents</b>		8,133,757	12,352,313
<b>Cash and cash equivalents at beginning of year</b>			
Disclosed as Qualifying liquid assets		22,607,392	10,895,558
Disclosed as Cash at bank and in hand		743,887	103,408
<b>Cash and cash equivalents at end of year</b>			
Disclosed as Qualifying liquid assets		30,611,274	22,607,392
Disclosed as Cash at bank and in hand		<u>873,762</u>	<u>743,887</u>

The notes on pages 14 to 30 form an integral part of these financial statements.

## PSI-Pay Limited

### Statement of changes in equity For the year ended 31 December 2016

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2015	2,700,003	37,894	2,737,897
Profit for the financial year	-	654,852	654,852
Total comprehensive income	2,700,003	692,746	3,392,749
Dividends paid on equity shares	-	-	-
At 31 December 2016	2,700,003	692,746	3,392,749
At 31 December 2014	2,700,003	454,976	3,154,979
Profit for the financial year	-	782,918	782,918
Total comprehensive income	2,700,003	1,237,894	3,937,897
Dividends paid on equity shares	-	(1,200,000)	(1,200,000)
At 31 December 2015	2,700,003	37,894	2,737,897

The notes on pages 14 to 30 form an integral part of these financial statements.

## **PSI-Pay Limited**

### **Notes to the financial statements** **For the year ended 31 December 2016**

#### **1. Accounting policies**

The principal accounting policies are summarised below.

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

PSI-Pay Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 1 to 3.

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance the Companies Act 2006 and United Kingdom Accounting Standards including Financial Reporting Standard 102 ("FRS.102") as issued by the Financial Reporting Council.

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

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

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

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

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

##### **c. Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office Equipment - 3 years / 33% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## **PSI-Pay Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2016 (continued)**

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

##### **d. Financial instruments**

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

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

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

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

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

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

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

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

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

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

##### **e. Impairment of assets**

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

##### **Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

##### **Financial assets**

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



# PSI-Pay Limited

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 1. Accounting policies (continued)

#### e. *Impairment of assets (continued)*

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

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

#### f. *Taxation*

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

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

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

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

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

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

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

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

## **PSI-Pay Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2016 (continued)**

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

##### **g. Turnover**

The Company is involved in e-money transaction processing services. Revenues from transaction processing is recognised in profit or loss at the time the services are rendered. Revenue is calculated either as a percentage of funds processed or as a charge per transaction, pursuant to the respective customer and merchant agreements.

The Company's BIN sponsorship division invoices its established clients monthly, normally based on the value of the transactions processed during the month just ended, and subject to a minimum fee amount. These fees are accounted for in the profit and loss account in the month in which they are earned. During the on-boarding process of new clients, a setup fee is normally charged to cover the Company's costs during the short period it takes for the programme to go live. These setup fees are accounted for in the profit and loss account in the month in which they are invoiced.

Investment income is recorded on an accruals basis.

##### **h. Employee benefits**

PSI-Pay Limited operates a defined contribution scheme and the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### **i. Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

##### **j. Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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

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

#### **3. Financial Risk**

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

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 3. Financial Risk (continued)

##### (a) Market risk

###### *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of differences in market interest rates. The Company holds the majority of client funds in non-interest bearing bank current accounts, so movements in interest rates are immaterial.

###### *Currency risk*

The Company manages their foreign exchange risk against their functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Company is primarily exposed to currency risk in respect of liabilities to clients denominated in currencies other than Sterling. The Company seeks to mitigate the risk by matching liabilities denominated in the foreign currency with assets denominated in the same currency.

At 31 December 2016, if the pound had strengthened by 10% against the various currencies with all other variables held constant, profit for the year would have been £279,848 lower (2015: £386,240 higher), mainly as a result of foreign exchange gains on the translation of foreign-denominated financial assets, carried at fair value through profit or loss.

The Company's net currency exposures denominated in GBP equivalent were as follows:

	<u>Carrying value on Balance Sheet</u>	
	2016	2015
	£	£
GBP - £	(439,687)	6,417,816
EUR - €	(265,080)	(11,438)
TRY - ₺	(1,055,794)	(2,613,130)
USD - \$	2,557,162	(1,873,011)
CAD - \$	1,204,486	56,614
Other Currencies	637,550	192,325
Total net currency exposure	<u>2,638,637</u>	<u>2,169,176</u>

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 3 Financial Risk (continued)

##### (b) Credit risk and concentrations

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

- cash and cash equivalents
- amounts due from payment processors (included within Qualifying liquid assets)
- amounts due from clients (trade debtors)

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

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

	2016	2015
	£	£
Client Debtors	153,771	59,926
Payment Processor Debtors	3,336,436	2,965,465
Other Qualifying liquid assets	27,274,838	19,641,927
Cash at bank and in hand	873,762	743,887
<b>Total assets bearing credit risk</b>	<b>31,638,807</b>	<b>23,411,205</b>

	2016	2015
	£	£
AAA	-	-
AA	2,969,207	2,522
A	24,747,857	19,561,086
BBB	-	-
Below BBB or not rated	3,921,743	3,847,597
<b>Total assets bearing credit risk</b>	<b>31,638,807</b>	<b>23,411,205</b>

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

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

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 3 Financial Risk (continued)

##### (c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of PSI-Pay is the obligation to make funds available to account holders as requested. All funds held on behalf of clients are placed in bank current account and held as restricted e-money floats (see note 11) and are therefore restricted and available on demand.

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

##### (d) Capital management risk

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

	2016	2015
	£	£
Share capital (paid)	2,700,003	2,700,003
Retained earnings	692,746	37,894
Total Capital Resources	3,392,749	2,737,897
Total Capital Requirement (€350,000)	298,823	257,353
Capital surplus	3,093,926	2,480,544

The Company's objectives when managing capital are:

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

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

# PSI-Pay Limited

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 4. Turnover and revenue

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

	2016 £	2015 £
<b>Turnover:</b>		
The Company's own e-wallet business	5,983,195	3,769,786
The Company's BIN Sponsorship business	410,486	322,966
Investment income	122,067	23,276
	<u>6,515,748</u>	<u>4,116,028</u>

An analysis of the Company's turnover by geographical market is set out below.

	2016 £	2015 £
<b>Turnover:</b>		
Europe (including UK)	5,272,631	3,810,222
Asia	790,264	78,707
North America	386,526	159,591
Rest of the World	66,327	67,508
	<u>6,515,748</u>	<u>4,116,028</u>

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

	2016 £	2015 £
Services rendered	410,486	322,966
Fees and Commissions	5,983,195	3,769,786
Investment income	122,067	23,276
	<u>6,515,748</u>	<u>4,116,028</u>

### 5. Finance costs

	2016 £	2015 £
Interest payable and similar charges – bank overdrafts	91	260
	<u>91</u>	<u>260</u>

# PSI-Pay Limited

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 6. Profit on ordinary activities before taxation

	2016 £	2015 £
Profit on ordinary activities before taxation is stated after charging / (crediting) :		
Depreciation of tangible fixed assets (note 12)	2,819	4,309
Operating lease rentals	71,327	61,206
Foreign exchange (gain) / loss	(181,941)	806,255
Audit fees	54,526	38,000
Non-Audit fee - tax compliance	3,525	4,700
	<u>          </u>	<u>          </u>

### 7. Staff numbers and costs

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

	2016 Number	2015 Number
Administration	11	9
	<u>          </u>	<u>          </u>
	11	9
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	298,186	294,837
Social security costs	28,178	35,145
Other pension costs (see note 18)	67,414	74,578
	<u>          </u>	<u>          </u>
	393,778	404,560
	<u>          </u>	<u>          </u>

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 8. Directors' remuneration and transactions

	2016 £	2015 £
<i>Directors' remuneration</i>		
Emoluments	27,000	20,850
Company contributions to money purchase pension schemes	55,180	48,000
	<u>82,180</u>	<u>68,850</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>3</u>	<u>2</u>
	2016 £	2015 £
<b>Remuneration of the highest paid director:</b>		
Emoluments	-	-
Company contributions to a money purchase pension scheme	<u>29,000</u>	<u>28,000</u>

Note the Director receives his salary in the form of pension contributions.

Details of transactions with directors during the year are disclosed in note 19.



# PSI-Pay Limited

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 9. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £	2015 £
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	164,430	199,538
<b>Total current tax</b>	<u>164,430</u>	<u>199,538</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(78)
<b>Total deferred tax</b>	<u>-</u>	<u>(78)</u>
<b>Total tax on profit on ordinary activities</b>	<u>164,430</u>	<u>199,460</u>

The deferred tax asset at the balance sheet date has been calculated based on the rate of 20% effective at the balance sheet date.

There is no expiry date on timing differences, unused tax losses or tax credits.

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

	2016 £	2015 £
<b>Profit on ordinary activities before tax</b>	<u>819,282</u>	<u>982,378</u>
<b>Tax on profit on ordinary activities at standard UK corporation tax rate of 20.0 % (2015: 20.25 %)</b>	163,856	198,931
<b>Effects of:</b>		
- Expenses not deductible for tax purposes	652	527
- Capital allowances for year in excess of depreciation	(78)	2
<b>Total tax charge for year</b>	<u>164,430</u>	<u>199,460</u>

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 10. Dividends on equity shares

	2016 £	2015 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividend per ordinary share	-	1,200,000
Proposed final dividend	-	-
	<u>-</u>	<u>1,200,000</u>

#### 11. Qualifying Liquid Assets

In compliance with the Financial Conduct Authority (FCA) rules and regulations, the Company holds Qualifying Liquid Assets at least equal to the amounts owing to Clients and Businesses. These amounts are maintained in accounts which are segregated from operating funds. A legal right of offset exists between the balances owing to the Clients and Businesses and the cash balances segregated in the client designated accounts.

	As at 31 December 2016 £	As at 31 December 2015 £
Qualifying Liquid Assets held for Clients including MasterCard Deposits	30,611,274	22,607,392
e-money Float and BIN Sponsorship Customer Floats (see note 15)	<u>27,972,637</u>	<u>20,438,216</u>
Surplus cash held in segregated client accounts	<u>2,638,637</u>	<u>2,169,176</u>

Included within Qualifying Liquid Assets is an amount of £3,336,436 (2015: £2,965,465) held as cash in transit from payment service providers.

Note there is no regulatory requirement to safeguard merchant liabilities in the same fashion however the Company chose to maintain segregated funds to cover these merchant balances and consequently those cash balances held and corresponding liabilities have been included in the table above.

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 12. Tangible fixed assets

	2016 £	2015 £
<b>Office Equipment (Cost)</b>		
At 1 January	19,070	19,070
Disposals	(12,826)	-
Additions	565	-
At 31 December	<u>6,809</u>	<u>19,070</u>
	2016 £	2015 £
<b>Office Equipment (Depreciation)</b>		
At 1 January	16,196	11,887
Eliminated on Disposals	(12,826)	-
Charge for the year	2,819	4,309
At 31 December	<u>6,189</u>	<u>16,196</u>
<b>Net book value</b>	<u>620</u>	<u>2,873</u>

#### 13. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	153,771	59,926
Amounts owed by entities under common ownership (note 19)	12,767	8,971
Other debtors	16,826	210,366
Prepayments and accrued income	24,578	23,322
	<u>207,942</u>	<u>302,585</u>

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

# PSI-Pay Limited

## Notes to the financial statements

For the year ended 31 December 2016 (continued)

### 14. Deferred taxation

	2016 £	2015 £
At 1 January	2,994	2,916
Released to profit and loss account	-	78
At 31 December	2,994	2,994
Total	2,994	2,994

#### Deferred tax

	2016 £	2015 £
Deferred tax is provided as follows:		
Accelerated capital allowances	-	78

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

	2016 £	2015 £
Trade creditors	47,144	62,750
Amounts owed to parent company (note 19)	26,000	26,000
Amounts owed to entities under common ownership (note 19)	6,000	22,000
Corporation tax	164,430	199,538
Other taxation and social security	18,911	12,511
E-money float and BIN sponsorship customer floats (see note 11)	27,972,637	20,438,216
Accruals and deferred income	68,721	160,820
	28,303,843	20,921,835

Amounts owed to the parent company and entities under common ownership are unsecured, interest free and payable on demand.

### 16. Called-up share capital

	2016 £	2015 £
Allotted, called-up and fully-paid		
1,100,003 ordinary shares of £1.00 each	1,100,003	1,100,003
1,600,000 Redeemable preference shares of £1.00 each	1,600,000	1,600,000

The 1,600,000 Redeemable Preference shares of £1 each are redeemable by the Company at any time with not less than one month's written notice to the holders of the preference shares. The preference shares carry no voting rights, receive no dividends, and rank in priority to the ordinary shares for repayment in the event of the Company being wound up.

The preference shares can only be redeemed at the discretion of the Company and therefore they do not satisfy the definition of a financial liability under FRS 102, sections 11 and 12, and have been presented as an equity instrument.

## PSI-Pay Limited

### Notes to the financial statements

For the year ended 31 December 2016 (continued)

#### 17. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

Land and Buildings	2016 £	2015 £
- within one year	110,333	30,966
- between one and five years	55,167	-
- after five years	-	-
	<u>165,500</u>	<u>30,966</u>

#### 18. Employee benefits

##### *Defined contribution schemes*

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2016 was £67,414 (2015: £74,578).

#### 19. Related party transactions

##### *Directors' transactions*

During the year, the Company was paid £29,178,643 (2015: £12,242,281) by PerfectCard Limited, and paid £4,987,433 (2015: £1,200) to PerfectCard Limited, a BIN sponsorship client where Philip Davies is also a director. At the year end, the Company was holding funds totalling £4,807,945 (2015: £10,077,469) belonging to PerfectCard Limited, whilst an amount of £12,982 (2015: £52,324) was owed to the Company by PerfectCard Limited. During the year revenue of £50,273 (2015: £27,367) was generated from these transactions with PerfectCard Limited.

During the year, the Company was paid £966,148 (2015: £1,161,684) by Enumis Limited, and paid £37,961 (2015: £Nil) to Enumis Limited, a BIN sponsorship client where Philip Davies is also a director. At the year end, the Company was holding funds totalling £Nil (2015: £33,503) belonging to Enumis Limited, whilst an amount of £Nil (2015: £5,639) was owed to the Company by Enumis Limited. During the year revenue of £21,400 (2015: £36,000) was generated from these transactions with Enumis Limited.

During the year, the Company was paid £21,358 (2015: £Nil) by Transact 24 (UK) Limited, a BIN sponsorship client where Philip Davies is also a director. At the year end, an amount of £6,423 (2015: £Nil) was owed to the Company by Transact 24 (UK) Limited. During the year revenue of £9,545 (2015: £Nil) was generated from these transactions with Transact 24 (UK) Limited.

During the year, the Company paid £32,700 (2015: £Nil) to Neopay Limited, where Craig James is also a director, for the provision of professional services.

All the above agreements have been entered into on an arm's length basis.

The ultimate beneficial owner of the Company, and a number of Directors and employees have e-Money accounts with the Company on normal commercial terms.

## **PSI-Pay Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2016 (continued)**

#### **19. Related party transactions (continued)**

##### *Other related party transactions*

During the year, the Company was charged £78,000 (2015: £26,000) for technology services by PSI Limited, the parent company of PSI-Pay Limited (see note 20). At the year end, an amount of £26,000 (2015: £26,000) was owed to PSI Limited by the Company. PSI-Pay Limited also operates a Business e-Money account for PSI Limited and, during the year, PSI Limited made deposits of £13,800,901 (2015: £4,521,406) and withdrawals of £14,051,697 (2015: £3,362,317). At the year end, £912,342 was owed to PSI Limited (2015: £1,159,088).

During the year, the Company was charged £97,000 (2015: £72,000) for consultancy services rendered by Bancom Europe Limited and made charges totalling £Nil (2015: £11) to Bancom Europe Limited, a company owned by Mr. Shaked, the ultimate controlling party of PSI-Pay Limited (see note 20). At the year end, an amount of £6,000 (2015: £22,000) was owed to Bancom Europe Limited by the Company and £8,971 (2015: £8,971) was owed to the Company by Bancom Europe Limited.

During the year, the Company made charges totalling £3,796 (2015: £1,909) for telecommunications services to Com-Tec-Co Services Cyprus Ltd, a company controlled by Avi Shaked, the ultimate controlling party of PSI-Pay Limited. At the year end, an amount of £3,796 (2015: £1,909) was owed by the Company to Com-Tec-Co Services Cyprus Ltd.

#### **20. Controlling party**

The immediate parent company throughout the year is PSI Limited, a company incorporated in the Isle of Man.

The ultimate controlling party throughout the year is Mr. Avraham Shaked, controlling indirectly, 58 per cent of the issued share capital of the Company, through its parent company, PSI Limited.