UC Group Limited

Annual report and financial statements

Registered number 3762366

31 December 2015

Contents

Chairman's statement

Dear Shareholders,

2015 has been a significant year of progress for the Group.

Building on my comments last year, the launch of our acquiring services with SecureTrading Financial Services has dramatically changed the Group's dynamics and revenues.

We saw Gross Revenues for the Group increase 2.6 times to £17.9m (2014: £7.0m), primarily on the back of beginning to realise substantial investment over many years and offering existing and new merchants a broader, more comprehensive suite of payment products. Growth, both in headline gross revenues and gross profits, continued a strong trajectory throughout the year.

Our well established Gateway, SecureTrading Ltd, also performed particularly well, with Revenues growing at market-leading rates.

These developments culminated in a raft of industry and peer-recognised awards: Winner Best New Product service 2015 (Best Business Awards), Best PSP 2016 (MPE Awards), Best E-commerce Technology 2016 (Techies Awards), Innovation in payments 2016 (EGR B2B awards). I am particularly proud of these, showing our commitment to innovation and sustainable development over the period.

This financial growth is in parallel with the expansion of our operations and I am pleased that Gerald Kitchen has joined to head up our payments assets as Chief Operating Officer. He has brought a sharp focus to the operational alignment and execution of our products and services.

Whilst payment services have, in areas, become commoditised, we see a bright future for flexible, high quality services.

During the year we migrated some services previously offered under individual subsidiaries (such as our reconciliation and escrow management) and these have been consolidated where appropriate under our own Financial Institution licences.

I am also very pleased to report that our IP protection continues apace: we have now 6 Patents granted around our ability to register, validate and process online transactions in America, Japan and China with 18 more applications pending globally. We have through taken the opportunity to review our older and lapsed patent applications, which has resulted in an impairment charge of £1.4m.

I continue to thank the board, our shareholders and stakeholders for their continued and long-standing support, but assure them of my and the management team's commitment to see continued execution of our strategy and vision: to grow the group into a truly global payments and cybersecurity solutions business over the coming years.

I look forward to progressing as rapidly in 2016 and beyond.

J A Paulsen
Chairman
1st November 2016

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2015.

Principal activity

The principal activity of UC Group is that of a global e-solutions company, offering internet-enabled services. The focus is on internet-enabled bespoke payment and cybersecurity solutions, as well as transaction and payment management systems for our global markets.

Political and charitable contributions

The Company made no disclosable political or charitable donations or incurred any political expenditure during the year (2014: £nil).

Directors

The following directors have held office since 1 January 2015 unless otherwise stated:

J A Paulsen
D I Holden
P J Boylan*
M M J J Boekhoorn*
D Scheurl*
The Rt Hon. the Lord Blunkett*
F S Hove* (resigned 01 January 2016)

*Non-executive director

Employee involvement

The group's policy is to consult and discuss directly with employees any matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

The auditors, KPMG LLP, are deemed to be appointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

By order of the Board

J A Paulsen
Director

40 Bank Street, London
E14 5NR

1st November 2016

Strategic report

Business review

The progress and revenue shift in 2015 has been very significant. Securetrading Financial Services Limited ("STFS"), the acquiring institution licensed by Mastercard and Visa, built a solid base and processing volumes rocketed. Revenues increased to £9.1m *(2014: £50k)*, despite some initial delays in the commencement of the processing platform.

Being able to offer a full suite of payments and related management services has been a compelling combination in our markets, and this builds a good foundation for the future. Core business in the gateway also rose 27% to £7.6m off the back of new technologies and an integrated service offering.

Since the year end, trading results have continued to improve, particularly within STFS. Group turnover for the nine months to end September was £27.5m with a gross profit of £6m.

Despite the setup of STFS taking longer than expected, this business is now trading profitably and generating cash, which is being made available to its parent companies. The forecasts shows that STFS is expected to achieve revenues of £40m for the year ending 31 December 2016. With this level of growth the directors are confident that the group will not need any additional external financing but until the group is refinanced it still needs the funding currently provided.

The group's external financing of £16m is, per the facilities agreement, due for repayment in early 2018. However, this amount is now shown as due within one year due to potential covenant breaches. The directors do not expect that the group's external financiers will call in their debt as to do so would seriously affect the amount they could receive. The directors expect to be able to repay the group's external debt through a re-financing rather than through operational cash flow. Discussions about the refinancing of the group are in progress and these are expected to result in the issuance of new equity shares, although completion is subject to finding acceptable new investors.

The US platform finalised its beta-test phase and went live with clients, albeit with modest but growing revenues in 2015.

Description of principal risk and uncertainties

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

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 are comprised of cash in liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk arising from the group's financial instruments is liquidity risk. The group finances its operations through a mixture of share capital and income from sales. Liquidity risk is managed by maintaining a balance between continuity of funding and flexibility through the use of short-term deposits when surplus funds are available.

Strategic report *(continued)*

Description of principal risks and uncertainties *(continued)*

Trade debtors 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.

Trade creditors 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 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.

By order of the board

J A Paulsen
Director

40 Bank Street, London
E14 5NR

1st November 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards 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 group and the parent 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
15 Canada Square
London
E14 5GL

Independent Auditor's report to the members of UC Group Limited

We have audited the financial statements of UC Group Limited for the year ended 31 December 2015 set out on pages 8 to 42. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the group and company's ability to continue as a going concern; in particular the continued availability of amounts due to lenders under facilities that expire in 2018 but which are currently classified as repayable within one year, and the availability of alternative equity and / or debt funding when those amounts are repaid. These conditions, along with the other matters explained in Note 1 to the financial statements, indicates the existence of a material uncertainty, which may cast significant doubt on the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or company was unable to continue as a going concern.

Independent Auditor's report to the members of UC Group Limited *(continued)*

Opinion on other matters 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Stephen Muncey

Stephen Muncey (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL

1st November 2016

Consolidated Income Statement
for the year ended 31 December 2015

	Note	**Total 2015 £**	Total 2014 £
Revenue	5	**17,884,224**	7,047,718
Cost of sales		**(8,235,488)**	(1,775,273)
Gross profit		**9,648,736**	5,272,445
Administrative expenses	6	**(12,921,811)**	(12,358,545)
Operating loss		**(3,273,075)**	(7,086,100)
Included in operating loss:			
Depreciation & amortisation	6	**(2,089,132)**	(437,095)
Finance expense	8	**(3,042,064)**	(2,383,750)
Loss on ordinary activities before taxation		**(6,315,139)**	(9,469,850)
Tax on loss on ordinary activities	9	**(11,976)**	(942,574)
Loss on ordinary activities after taxation		**(6,327,115)**	(10,412,424)
Attributable to			
Equity holders of parent		**(5,219,423)**	(8,672,119)
Minority interests		**(1,107,692)**	(1,740,305)
Loss for the financial year		**(6,327,115)**	(10,412,424)

The notes on pages 14 to 42 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2015

	2015	2014
	£	£
Loss for the financial year	**(6,327,115)**	(10,412,424)
Exchange differences on translating foreign operations	**167,201**	76,156
Charges in relation to share based payments	**33,737**	52,518
Fair value change on assets held for resale	**1,423,780**	-
	(4,702,397)	(10,283,750)
Equity holders of parent	**(3,883,945)**	(8,533,668)
Minority interests	**(818,452)**	(1,750,082)
Total comprehensive expense for the year	**(4,702,397)**	(10,283,750)

The notes on pages 14 to 42 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2015

	Note	**Group 2015 £**	Group 2014 £	Group 2013 £	**Company 2015 £**	Company 2014 £
Non-current assets						
Intangible assets	*10*	**2,910,172**	3,200,666	2,846,913	**1,158,710**	2,552,356
Tangible assets	*11*	**858,663**	926,277	418,003	-	-
Trade and other receivables		**1,239,748**	-	-	-	-
Investments in subsidiaries	*13*	-	-	-	**3,895,419**	38,048
		5,008,583	4,126,943	3,264,916	**5,054,129**	2,590,404
Current assets						
Trade and other receivables	*16*	**11,269,174**	5,987,784	6,205,944	**7,272,438**	10,597,799
Available for sale financial assets	*15*	**1,423,780**	-	-	-	-
Cash at bank and in hand		**5,666,024**	1,823,012	764,350	**67,951**	-
		18,358,978	7,810,796	6,970,294	**7,340,389**	10,597,799
Total assets		**23,367,561**	11,937,739	10,235,210	**12,394,518**	13,188,203
Current Liabilities	*17*	**(40,681,094)**	(12,295,493)	(8,241,978)	**(3,707,216)**	(5,755,539)
Non-current Liabilities	*18*	**(418,748)**	(14,177,861)	(8,151,128)	-	-
Total Liabilities		**(41,099,842)**	(26,473,354)	(16,393,106)	**(3,707,216)**	(5,755,539)
Net (Liabilities)/Assets		**(17,732,281)**	(14,535,615)	(6,157,896)	**8,687,302**	7,432,664
Equity attributable to equity holders of the parent						
Share capital	*20*	**94,890**	94,075	93,601	**94,890**	94,075
Share premium		**6,403,918**	4,899,002	2,993,445	**6,403,918**	4,899,002
Retained earnings		**(20,624,973)**	(15,602,004)	(7,068,336)	**2,188,494**	2,439,587
Fair Value Reserve		**1,139,024**	-	-	-	-
		(12,987,141)	(10,608,927)	(3,981,290)	**8,687,302**	7,432,664
Non-controlling interest	*14*	**(4,745,140)**	(3,926,688)	(2,176,606)	-	-
Total equity		**(17,732,281)**	(14,535,615)	(6,157,896)	**8,687,302**	7,432,664

The notes on pages 14 to 42 form part of these financial statements.

These financial statements were approved by the board of directors on 1st November 2016 and were signed on its behalf by:

D I Holden
Director
Company registered number: 3762366

Consolidated Statement of change in equity
at 31 December 2015

	Share Capital	**Share Premium**	**Fair Value Reserve**	**Retained Earnings**	**Non-Controlling Interest**	**Group Total**
Balance at 1 January 2014	93,601	2,993,445	-	(7,068,336)	(2,176,606)	(6,157,896)
Loss for the year	-	-		(8,672,119)	(1,740,305)	(10,412,424)
Fair value change on assets held for resale	-	-	-	-	-	-
New share issue	474	1,905,557		-	-	1,906,031
Share based payment expense	-	-	-	52,518	-	52,518
Net exchange movement in translation of reserves	-	-	-	85,933	(9,777)	76,156
Balance at 31 December 2014	**94,075**	**4,899,002**	**-**	**(15,602,004)**	**(3,926,688)**	**(14,535,615)**

	Share Capital	**Share Premium**	**Fair Value Reserve**	**Retained Earnings**	**Non-Controlling Interest**	**Group Total**
Balance at 1 January 2015	94,075	4,899,002	-	(15,602,004)	(3,926,688)	(14,535,615)
Loss for the year	-	-	-	(5,219,423)	(1,107,692)	(6,327,115)
Fair value change on assets held for resale	-		1,139,024	-	284,756	1,423,780
New share issue	815	1,504,916	-	-	-	1,505,731
Share based payment expense	-	-	-	33,737	-	33,737
Net exchange movement in translation of reserves	-	-	-	162,717	4,484	167,201
Balance at 31 December 2015	**94,890**	**6,403,918**	**1,139,024**	**(20,624,973)**	**(4,745,140)**	**(17,732,281)**

Notes *(continued)*

Company Statement of changes in equity
at 31 December 2015

	Share Capital	Share Premium	Retained Earnings	Company Total
Balance at 1 January 2014	93,601	2,993,445	3,138,872	6,225,918
Loss for the year	-	-	(751,803)	(751,803)
New share issue	474	1,905,557	-	1,906,031
Share based payment expense	-	-	52,518	52,518
Balance at 31 December 2014	**94,075**	**4,899,002**	**2,439,587**	**7,432,664**

	Share Capital	Share Premium	Retained Earnings	Company Total
Balance at 1 January 2015	94,075	4,899,002	2,439,587	7,432,664
Loss for the year	-	-	(284,830)	(284,830)
New share issue	815	1,504,916	-	1,505,731
Share based payment expense	-	-	33,737	33,737
Balance at 31 December 2015	**94,890**	**6,403,918**	**2,188,494**	**8,687,302**

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
Operating loss for the financial year		**(6,315,139)**	(9,469,850)
Adjustments for:			
Amortisation of intangible assets	*10*	**217,909**	109,073
Impairment of intangible assets	*10*	**1,394,708**	-
Depreciation of tangible assets	*11*	**504,365**	389,742
Foreign exchange loss		**263,159**	79,977
Financial expense	*8*	**3,042,064**	2,383,750
Increase in trade and other debtors		**(6,521,138)**	224,392
Increase in trade creditors		**12,506,492**	2,795,044
Reversal of charge in relation to share based payments	*22*	**33,737**	52,518
Cash inflow/(outflow) from operations		**5,126,157**	(3,435,354)
Income taxes paid		**-**	-
Net cash inflow/(outflow) from operating activities		**5,126,157**	(3,435,354)
Cash flows from financing activities			
Interest paid	*8*	**(1,086,943)**	(754,034)
Tax credit		**-**	339,541
Net cash outflow from financing activities		**(1,086,943)**	(414,493)
Cash flows from investing activities			
Purchases of tangible assets	*11*	**(443,317)**	(903,259)
Purchases of intangible assets	*10*	**(1,322,388)**	(464,402)
Net cash outflow from investing activities		**(1,765,705)**	(1,367,661)
Cash flows from financing activities			
Proceeds from the issuance of share capital		**1,505,732**	1,906,031
Receipt of loan monies		**-**	4,020,000
Drawdown on Finance Lease	*18*	**362,303**	604,197
Repayment of bank loans		**(20,000)**	-
Repayment of finance lease obligations		**(221,803)**	(103,245)
Repayment of related party loans		**-**	(130,165)
Net cash used in financing activities		**1,626,232**	6,296,818
Net increase in cash and cash equivalents		**3,899,741**	1,079,310
Foreign exchange translation adjustment		**(56,729)**	(20,648)
Cash and cash equivalents at the beginning of year		**1,823,012**	764,350
Cash and cash equivalents at end of year		**5,666,024**	**1,823,012**

The notes on pages 14 to 42 form part of these financial statements.

Within the year end cash balance is an amount of £4,673,424 held in a fiduciary capacity.

Notes to the financial statements
(forming part of the financial statements)

1 Significant Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

1.1 Basis of preparation and compliance with accounting standards

UC Group Limited (the "Company") is a company incorporated and domiciled in the UK.

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 group 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 Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 10 and 12.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 1st January 2014 for the purposes of the transition to Adopted IFRSs. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the comparative income statement has been re-presented so that the disclosures in relation to discontinued operations relate to all operations that have been discontinued by the balance sheet date (see note 15).

1.2 Basis of preparation - company

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. The financial statements are prepared under the historical cost convention.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company transitioned from UK GAAP to FRS 101, applying IFRS 1 for all periods presented. There were no material amendments on the adoption.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Under FRS 101 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets.
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period.
- Disclosures in respect of the compensation of Key Management Personnel; and

Notes *(continued)*

Accounting polices *(continued)*

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

1.3 Basis of preparation - group

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. There were no material amendments on the adoption of IFRS. There is no impact affecting the reporting financial position, financial performance and cash flows of the group.

The financial statements are prepared under the historical cost convention.

1.4 Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. There were no material amendments on the adoption of IFRS. There is no impact affecting the reporting financial position, financial performance and cash flows of the group.

1.5 Measurement convention

The financial statements are prepared on the historical cost basis except for financial instruments classified as available-for-sale which are stated at their fair value:

1.6 Going concern

As at 31 Dec 2015, the Group had net current liabilities of £40.7m and net liabilities of £17.7m, the majority of which (£16m) related to the capital and accrued interest amounts due under the Facilities Agreement entered into on 8 November 2013. As at the end of September 2016, the group owed £17.1m under the Facilities Agreement and had cash at bank of £17.4m.

The directors have prepared forecasts for a period of at least 12 months from the date of authorisation of these financial statements that show that the group expects to be able to operate within the existing facilities should they remain available to the group. Therefore, having made enquiries, and having also received the ongoing support of a related company, Mansion Associates Ltd, the directors are satisfied that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The primary purpose of raising the debt facility funds was for the establishment by the group of an acquiring institution, Secure Trading Financial Services ("STFS"), and capital collateral for that purpose. The delay in setting up STFS meant performance of the group initially declined but STFS revenues grew rapidly in 2015 (to £9m).

The group's external financing of £16m is, per the Facilities Agreement, due for repayment in early 2018. However this amount is now shown as due within one year due to potential covenant breaches. Should a breach of any historic or future covenants within the Facilities Agreement be agreed, the debt provider's facilities would be deemed to be due on demand and the debt provider could exercise their rights under the Facilities Agreement. Given that the business is performing well, any enforcement of such rights would likely impact their own recovery and significantly diminish the value of the group as a whole. The directors expect to be able to repay the group's external debt through

Notes *(continued)*

Accounting polices *(continued)*

a refinancing by alternative equity and / or debt rather than through operational cash flow. Discussions about the refinancing of the group are in progress and these are expected to result in the issuance of new equity shares, although completion is subject to finding acceptable new investors.

The continued availability of the external loan or the availability of appropriate alternative funding represents a material uncertainty that may cast significant doubt on the group and the parent company's ability to continue as a going concern. The group and the parent company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business but the financial statements do not include any adjustments that would result from the going concern basis being inappropriate.

Given the strong trading performance of the group since 31 December 2015 as well as its forecasts into 2017 and beyond, and the current re-financing of the group that is currently being negotiated, the directors continue to adopt the going concern basis in the preparation of the financial statements.

1.7 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.8 Research and development

Expenditure on research activities is recognised in the income statement as an expense as it is occurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

Notes *(continued)*

Accounting polices *(continued)*

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

1.9 Website development costs

Design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the cost of developing the design and the content are charged to the profit and loss account as incurred.

1.10 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

1.11 Patents

Patents are valued at historic cost. Patents have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives (20 years).

1.12 Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Computer hardware, software and websites - over 3 years
- Fixtures, fittings and equipment - over 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.13 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where impairment is expected to be permanent. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

1.15 Investments

Fixed assets investments are stated at cost less provision for diminution in value.

1.16 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

Notes *(continued)*

Accounting polices *(continued)*

1.17 Taxation

Corporation tax payable is provided on taxable profits at the current rates.

Deferred tax is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.18 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

1.19 Cash held on deposit

Cash is held on deposit in respect of certain customer electronic payment transactions where there is a higher than normal risk of loss to the payment processor. This cash is held for a fixed period to protect the company and its financial service providers and is returned to the customer to the extent the deposit is not used. Cash held on deposit under these arrangements is recorded on the balance sheet as cash, with an equal liability for the amount held.

1.20 Financial assets

Initial recognition and de-recognition

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Accordingly, the Company uses trade date when recording financial asset transactions.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or the Company has not retained control of the asset.

Classification

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition.

Notes *(continued)*

Accounting polices *(continued)*

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

1.21 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 Company 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;

(b) those that the Company upon initial recognition designates as available-for-sale; or

(c) 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 Company's, 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 amortised 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.

Notes *(continued)*

Accounting polices *(continued)*

1.22 Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or that are not classified as loans and receivables or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs. They are subsequently re-measured at fair value, and changes therein are recognised in other comprehensive income until the financial assets are either sold or become impaired. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. as 'Net gains on sale of available-for-sale financial investments'.

1.23 Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becomes probable that the obligor will enter bankruptcy or other financial reorganisation.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Assets classified as available-for-sale

Available-for-sale financial assets are assessed at the end of each reporting period for objective evidence of impairment. If such evidence exists as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event has an impact, which can be reliably measured, on the estimated future cash flows of the financial asset an impairment loss is recognised.

If the available-for-sale financial asset is impaired, the difference between the financial asset's acquisition cost and the current fair value, less any previous impairment loss recognised in profit or loss, is reclassified from other comprehensive income and recognised in profit or loss as a reclassification adjustment.

In assessing objective evidence of impairment of equity securities at the reporting date the Company considers all available evidence, including observable data or information about events specifically relating to the issuer, and also to information about significant changes in technology, markets, economics or the law that provides evidence that the cost of the equity securities may not be recovered.

A significant or prolonged decline in the fair value of the equity security classified as available-for-sale below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

Notes *(continued)*

Accounting polices *(continued)*

Once an impairment loss has been recognised all subsequent increases in the fair value of an available-for-sale equity security are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through profit or loss. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in profit or loss, to the extent that further cumulative impairment losses have been incurred.

1.24 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables include receivables from card schemes for transactions processed on behalf of merchants where the Company is a member of that particular card scheme.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.25 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and all liquid investments with an initial maturity of three months or less when purchased. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement. Cash and cash equivalents also include settlement related cash balances, which represent surplus funds that the Company holds when the incoming amount from card schemes precedes the funding obligation to the merchant. These amounts also include cash that the Company holds related to reserve funds withheld from merchants that serve as collateral to minimise contingent liabilities associated with any losses that may occur under the merchant agreement. The Company records a corresponding liability for settlement processing obligations in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise deposits held at call with banks.

1.26 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.

1.27 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.

Notes *(continued)*

Accounting polices *(continued)*

1.28 Offsetting financial instruments

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

1.29 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.30 Revenue recognition

Revenue comprises the fair value of the consideration 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. Revenue streams of the business are Electronic Payment Services, Cyber Security Services and Acquiring Merchant Services. Revenue streams of the business are Electronic Payment Services and Acquiring Merchant Services, both of which typically recognise levels of transactions (based on number and value) and Cyber Security Services, which are typically invoiced on project or deliverable completion.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed.

1.31 Share based payments

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes *(continued)*

Accounting polices *(continued)*

The group has issued share options to certain directors and employees. These are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair value of the options was estimated at the date of grant using the option-pricing model. The fair value will be charged as an expense in the profit and loss account over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

1.32 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.33 Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended December 2015 and the comparative information presented in these financial statements for the year ended December 2014.

There were no material amendments on the adoption of IFRS. There is no impact affecting the reported financial position, financial performance and cash flows of the group.

3. Financial Instruments

3.1 Financial risk factors

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

Notes *(continued)*

Financial Instruments *(continued)*

(a) Credit risk

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

	2015	2014
	£	£
Financial assets classified as available-for-sale (Note 15)	**1,423,780**	-
Trade and other receivables (Note 16)	**11,269,174**	5,987,784
Cash and cash equivalents	**5,666,024**	1,823,012
	18,358,978	7,810,796

Within Trade and other receivables at year end there are trade debtors of £5,169,801 (2014: £2,373,081) representing funds receivable from card schemes relating to transactions processed in the last few processing days of the year which were settled after year end; £1,239,748 (2014: £1,105,111) of deposits held with reputable financial institutions of high quality rating, as a financial safeguard in relation to Visa and Mastercard ('the card schemes').

Whilst the Company 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 members. Accordingly, the credit risk emanating from the Company's exposures to card schemes are deemed by the directors to be immaterial.

Credit concentration risk also exists with respect to the Company's cash equivalents, which are held with a reputable financial institution of high quality standing or rating.

As at 31 December 2015, the Company's trade and other receivables were fully performing. All the receivables from card schemes outstanding at year end were settled within days from the end of the reporting period. The Company assesses the credit quality of its trade and other receivables taking into account the financial position, past experience and other factors relating to the debtor.

The Company is also exposed to credit risk to the extent that the card schemes of which it is a Member may chargeback credit card purchases. In order to manage its credit risk exposures arising from its payment processing operations, the Company compiles and updates due diligence reports in respect of its merchants and establishes appropriate transaction volumes and value limits. The Company 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 Company's payment processes.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2015	2014
	£	£
UK	**297,279**	344,695
Rest of Europe	**204,251**	235,111
USA	**349,835**	400,347
Rest of the world	**101,391**	124,958
	952,756	1,105,111

Notes *(continued)*

Financial Instruments *(continued)*

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. The Company has established procedures to minimise the risk of default by trade debtors including credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2015 £	**Impairment 2015 £**	Gross 2014 £	Impairment 2014 £
not past due	754,773	-	3,091,481	-
Past due 0-30 days	122,371	-	65,863	-
Past due 31-120 days	43,738	-	319,856	-
More than 120 days	31,874	(150)	1,142	(150)
Total	952,756	(150)	3,478,342	(150)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 £	2014 £
Balance at 1 January	(150)	-
Impairment loss recognised	-	(150)
Impairment loss reversed	-	-
Balance at 31 December	(150)	(150)

Notes *(continued)*

Financial Instruments *(continued)*

(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 Company 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 Company generally matches its asset and liability positions represented by the amounts due by acquirers and other payment service providers and 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 payable to group undertakings denominated in foreign currency.

The net open currency exposure at the end of the reporting period amount to £827,012, which is denominated in US dollars. The Company does not apply hedging techniques in respect of foreign exchange risk. Under the scenario that the euro appreciates/depreciates by 20% against the United States Dollar (USD), the effect would be a decrease/increase of £165,402 in the carrying amount of financial instruments with the adverse/favourable impact recognised in profit or loss.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments

31 December 2015	Sterling	Euro	US Dollar	Other	Total
	£	£	£	£	£
Cash and cash equivalents	2,668,407	146,752	1,894,535	956,330	5,666,024
Trade receivables	589,650	357,761	4,353	992	952,756
Amounts due from card schemes	1,129,259	1,332,631	1,920,767	787,144	5,169,801
Collateral with schemes	-	412,733	827,012	-	1,239,745
Secured bank loans	(16,412,462)	-	-	-	(16,412,462)
Trade payables	(1,783,505)	(1,457,217)	(844,009)	(4,727)	(4,089,458)
Amounts due to merchants	(4,642,118)	(3,250,509)	(3,889,017)	(787,144)	(12,568,788)
Balance sheet exposure	**(18,450,769)**	**(2,457,849)**	**(86,359)**	**952,595**	**(20,042,382)**

31 December 2014	Sterling	Euro	US Dollar	Other	Total
	£	£	£	£	£
Cash and cash equivalents	387,314	193,274	13,117	18,319	585,790
Trade receivables	688,608	408,694	6,817	992	1,105,111
Amounts due from acquirer	518,361	611,714	881,685	361,321	2,373,081
Collateral with schemes	-	-	-	-	-
Secured bank loans	(14,177,861)	-	-	-	(14,177,861)
Trade payables	(2,461,435)	(134,660)	(1,075,423)	(10,241)	(3,681,759)
Amounts due to merchants	-	-	-	-	-
Balance sheet exposure	(15,045,013)	(1,079,022)	(200,038)	370,391	(13,795,638)

Notes *(continued)*

Financial Instruments (continued)

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets that mature in the long-term, its income and operating cash flows are substantially independent of changes in market interest rates. The Company's cash flow interest rate risk arises from cash and cash equivalents. Up to the reporting date, the Company did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors since these assets are of a short term nature. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to fair value interest rate risk.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally settlement processing obligations and other liabilities (refer to Note 17 and 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The Group manages this risk, by monitoring future cash flows together with changes in available liquidity on a regular basis. Senior management is updated on a regular basis on the cash flow position of the Company.

The Group financial projections reveal that the financial performance of the Group is expected to improve in the foreseeable future thereby generating net cash inflows subsequent to the end of the reporting period.

The loan principal is due within one year or on demand (£15,770,646)

31 December 2015	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**Total**
Finance lease liabilities	223,067	183,658	235,090	641,815
31 December 2014	**1 year or less**	**1 to 2 years**	**2 to 5 years**	**Total**
Finance lease liabilities	143,814	133,972	228,226	506,012

3.2 Capital risk management

The objectives of Secure Trading Financial Service Ltd (Group Subsidiary) while managing capital are to comply with the minimum capital requirements required by the Malta Financial Services Authority ("MFSA") and to safeguard the Secure Trading Financial Service Ltd ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, Secure Trading Financial Service Ltd may adjust the amount of dividends paid to shareholders or issue new shares. Secure Trading Financial Service Ltd maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature and stage of the activities, the directors deem the capital level as at the end of the reporting period adequate.

Secure Trading Financial Service Ltd is required to hold minimum capital requirements in compliance with rules issued by the MFSA. The minimum capital requirement must be maintained at all times throughout the financial period. Secure Trading Financial Service Ltd 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 31 December 2015, Secure Trading Financial Service Ltd met at all times the minimum capital requirements imposed by the regulatory authority. As at 31 December 2015, the minimum capital requirement amounted to £671,642 (€911,285) which is lower than the Group's own funds amounting to £837,782 (€1,136,702).

Notes *(continued)*

3.3 Fair value of financial instruments

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions.

Fair values are consequently determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

Financial instruments carried at fair value

As at 31 December 2015

Financial assets classified as available-for-sale	£1,423,780 (€1,931,785)

The best evidence of fair value is a quoted price in an actively traded market. The fair values of financial instruments that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. Where a financial instrument has a quoted price in an active market, the fair value of the total holding of the financial instrument is calculated as the product of the number of units and quoted price.

The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. The bid/offer spread represents the difference in prices at which a market participant would be willing to buy compared with the price at which they would be willing to sell.

In the event that the market for a financial instrument is not active, a valuation technique is used. Valuation techniques may incorporate assumptions about factors that other market participants would use in their valuations, including:

- the likelihood and expected timing of future cash flows on the instrument. Judgement may be required to assess
- the counterparty's ability to service the instrument in accordance with its contractual terms. Future cash flows may be sensitive to changes in market rates;
- selecting an appropriate discount rate for the instrument. Judgement is required to assess what a market participant would regard as the appropriate spread of the rate for an instrument over the appropriate risk-free rate;
- judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

The financial assets classified as available-for-sale represent the Company's interest in Visa Europe Limited and have been determined to be a Level 3 fair value. As at 31 December 2014, the Company's interest in Visa Europe was recognised in the statement of financial position with a carrying amount of €10. In accordance with IAS 39, the fair value of available-for-sale financial assets should be re-measured at each reporting date. Please see Note 15 for further explanation.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Notes *(continued)*

5. Revenue analysis by type and business segment

The analysis by class of business of the group's turnover is set out below:

Revenue

	2015	2014
	£	£
Class of business		
Electronic payment services	**7,323,458**	5,995,993
Cyber security services	**1,418,382**	1,001,930
Acquiring Merchant Services	**9,142,384**	49,795
	17,884,224	7,047,718

6. Expenses and Auditor's remuneration

	2015	2014
	£	£
Included in loss are the following:		
Depreciation of tangible assets	**504,365**	389,742
Amortisation of intangible assets	**217,909**	109,073
Impairment of intangible assets	**1,394,708**	-
Recharge from related party	-	98,649
Foreign exchange losses	**385,799**	166,462
Strategic software development costs – non-recurring	-	1,538,723
Global development and set up costs – non-recurring	-	228,577
Fees payable to the group's auditors for the audit of the group's annual accounts	**100,000**	129,000
Taxation services	**29,000**	25,000
Refinancing – non-recurring	-	16,800

Non-recurring costs in the prior year incurred are strategic software and global development costs. The group is actively building its international technology capabilities, supported by its global patent applications, to enter new and developing markets. These costs are separate to the underlying trading business, and are seen by the Board as continuing in the medium to long-term as the group deploys its strategy.

Notes *(continued)*

7 Employee costs

Number of employees

The average monthly number of employees (including directors) during the year was:

	2015 Number	2014 Number
Management	**25**	24
Sales and administration	**42**	25
Technical and development	**32**	17
Customer service and support	**30**	21
	129	87

Employment costs	*Note*	2015 £	2014 £
Wages and salaries		**6,292,633**	4,509,877
Social security costs		**802,198**	516,496
Other pension costs		**173,194**	138,762
Redundancy		**-**	921
Share based payments	22	**33,737**	52,518
		7,301,762	5,218,574

8 Finance expense

	2015 £	2014 £
On loans	**2,539,997**	2,132,596
Loan commitment fee	**-**	40,650
Loan arrangement fee	**162,500**	162,500
Finance lease interest	**89,900**	41,774
Other	**249,667**	6,230
	3,042,064	2,383,750

Notes *(continued)*

9 Taxation

	2015 £	2014 £
Corporation tax current year		
UK Corporation tax charge (credit)	-	(405,170)
Adjustments in respect of prior years	10,814	(27,112)
Foreign tax	1,162	1,137
Current tax credit	11,976	(431,145)
Deferred tax		
Origination and reversal of timing differences	(63,287)	1,373,719
Adjustment in respect of prior years	63,287	-
Effect of tax rate change on opening balance	-	-
Deferred tax charge	-	1,373,719
Total tax charge	11,976	942,574

	2015 £	2014 £
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(6,315,139)	(9,469,850)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.25% (2014: 21.493%)	(1,278,816)	(2,035,370)
Effects of:		
Non-deductible expenses	53,723	41,717
Impact of rate difference between deferred and current tax	606,185	-
Fixed asset differences	1,807	-
Excess overseas taxes suffered	163,266	288,378
Unrecognised deferred tax asset	391,709	2,999,408
R&D	-	(182,284)
Utilisation of brought forward loss	-	(142,163)
Adjustment for prior years	74,102	(27,112)
	1,290,792	2,977,944
Total tax charge/(credit)	11,976	942,574

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

10 Intangible fixed assets

Group	Goodwill	Development Costs	Patents	Total
	£	£	£	£
Cost				
At 1 January 2014	619,357	323,699	2,672,132	3,615,188
Additions	-	378,171	86,231	464,402
FX adjustment	-	(2,022)	-	(2,022)
At 31 December 2014	**619,357**	**699,848**	**2,758,363**	**4,077,568**
Amortisation				
At 1 January 2014	619,357	6,635	142,283	768,275
Charge for the year	-	45,349	63,724	109,073
FX adjustment	-	(446)	-	(446)
At 31 December 2014	**619,357**	**51,538**	**206,007**	**876,902**
Net book value				
At 31 December 2014	**-**	**648,310**	**2,552,356**	**3,200,666**
At 31 December 2013	-	317,064	2,529,849	2,846,913

Group	Development Costs	Patents	Total
	£	£	£
Cost			
At 1 January 2015	699,848	2,758,363	3,458,211
Additions	1,273,388	49,000	1,322,388
FX adjustment	(172)	-	(172)
At 31 December 2015	**1,973,064**	**2,807,363**	**4,780,427**
Amortisation			
At 1 January 2015	51,538	206,007	257,545
Charge for the year	170,731	47,178	217,909
Impairment	-	1,394,708	1,394,708
FX adjustment	93	-	93
At 31 December 2015	**222,362**	**1,647,893**	**1,870,255**
Net book value			
At 31 December 2015	**1,750,702**	**1,159,470**	**2,910,172**
At 31 December 2014	648,310	2,552,356	3,200,666

Notes *(continued)*

Intangible Fixed Assets *(continued)*

Company	**Patents**
	£
Cost	
At 1 January 2015	2,758,363
Additions	48,240
At 31 December 2015	**2,806,603**
Amortisation	
At 1 January 2015	206,007
Charge for the year	47,178
Impairment	1,394,708
At 31 December 2015	**1,647,893**
Net book value	
At 31 December 2015	**1,158,710**
At 31 December 2014	2,552,356

Amortisation and impairment charge

The amortisation and impairment charge is recognised in administrative expenses in the income statement.
Since 2005 the Group has pursued an active policy in the patenting of key intellectual property, primarily related to its US – based enterprise payments system. Several relevant patents have already been granted in the USA (3), Japan (2) and China (1) with a capitalised cost of £0.7m with 18 additional patents pending at 31 December 2015 across America, Asia and Europe. None of these patents have been re-valued upwards to reflect any market based valuation methodologies.

However, during the year £1.4m additional amortisation was charged to the consolidated income statement to reflect older, lapsed patent applications and fall into line with the IFRS accounting policy standards.

Notes *(continued)*

11 Tangible fixed assets

	Computer hardware, software and websites £	Fixtures, fittings and equipment £	Total £
Group			
Cost			
At 1 January 2013	1,537,517	120,374	1,657,891
Additions	815,692	87,567	903,259
FX adjustments	(5,180)	(2,685)	(7,865)
At 31 December 2013	**2,348,029**	**205,256**	**2,553,285**
Depreciation			
At 1 January 2013	1,132,212	107,676	1,239,888
Charge for the year	366,043	23,699	389,742
FX adjustments	(1,950)	(672)	(2,622)
At 31 December 2013	**1,496,305**	**130,703**	**1,627,008**
Net book value			
At 31 December 2014	**851,724**	**74,553**	**926,777**
At 31 December 2013	405,305	12,698	418,003

	Computer hardware, software and websites £	Fixtures, fittings and equipment £	Total £
Group			
Cost			
At 1 January 2014	2,348,029	205,256	2,553,285
Additions	396,757	46,560	443,317
Disposal	-	(4,310)	(4,310)
FX adjustments	(5,035)	(2,826)	(7,861)
At 31 December 2015	**2,739,751**	**244,680**	**2,984,431**
Depreciation			
At 1 January 2015	1,496,305	130,703	1,627,008
Charge for the year	471,388	32,977	504,365
Disposal	-	(3,053)	(3,053)
FX adjustments	(1,974)	(578)	(2,552)
At 31 December 2015	**1,965,719**	**160,049**	**2,125,768**
Net book value			
At 31 December 2015	**774,032**	**84,631**	**858,663**
At 31 December 2014	851,724	74,353	926,277

Notes *(continued)*

12 Profit for the financial year

As permitted by section 408 Companies Act 2006, the ultimate parent's profit and loss account has not been included in these financial statements. The profit for the financial year is as follows:

	2015	2014
	£	£
Ultimate parent's loss for the financial year	**(284,830)**	(751,803)

13. Fixed asset investments

	Shares in group undertakings £
Company	
Cost	
At 1 January 2015	38,048
Capital contribution	3,857,371
At 31 December 2015	**3,895,419**
Provisions for diminution in value	
At 1 January 2015 and 31 December 2015	-
Net book value	
At 31 December 2015	**3,895,419**
At 31 December 2014	38,048

A capital contribution of £3,010,393 was made as a result of the wavier of amounts due from subsidiary companies. A capital contribution of £846,978 was also made to Secure Trading Financial Services Limited during the year.

In the opinion of the directors, the aggregate value of the company's investments in subsidiary undertakings is not less than the amount included in the balance sheet.

The company holds the following issued ordinary share capital in the group undertakings listed below:

Company	**Country of registration or incorporation**	**Shares held**	
		Class	**%**
Subsidiary undertakings			
Cognosec GmbH	Austria	Ordinary	100
Securetrading Group Limited	England	Ordinary	80
Securetrading Limited*	England	Ordinary	80
Secure G Holdings Limited*	England	Ordinary	80
SG Four Limited*	England	Ordinary	80
SG Seven Limited*	England	Ordinary	80
Securetrading Inc*	USA	Ordinary	80
UC Capital Limited	England	Ordinary	100
UC Asia Limited**	Hong Kong	Ordinary	100
Trademarklogo.com Limited**	Hong Kong	Ordinary	100
Securetrading Group Inc*	USA	Ordinary	80
SecureTrading FS Holding Limited*	Malta	Ordinary	80
SecureTrading Financial Services Limited*	Malta	Ordinary	80

Notes *(continued)*

Fixed asset investments *(continued)*

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Cognosec GmbH	IT and risk services
SecureTrading Group Limited	Development and operation of payment systems
SecureTrading Limited*	Development and operation of payment systems
Secure G Holdings Limited*	Investment holding and management company
SG Four Limited*	Payment service provider
SG Seven Limited*	Payment service provider
SecureTrading Inc*	Payment service provider
UC Capital Limited	Holding company for minority interests, joint ventures and provision of consultancy services
UC Asia Limited**	Investment holding company of Trademarklogo
Trademarklogo com Limited**	Online legal trademark registration system
SecureTrading Group Inc*	Holding company for USA subsidiaries
SecureTrading FS Holding Limited*	Holding company
SecureTrading Financial Services Limited*	Financial services

*Interest held through Securetrading Group Limited
**Interest held through UC Capital Limited

The company also had 80% holdings, either directly or indirectly in the following UK dormant companies; Cognosec Limited, SG One Limited, SG Two Limited, SG Three Limited, and SG Six-GW Limited. Cognosec Ltd was disposed of in 2015, during the year the following companies discontinued trading; SG One Limited, SG Two Limited, SG Three Limited, and SG Six-GW Limited.

During the financial year the group revenue generating strategy changed with the acquisition of a banking licence. This licence allows the group to bypass third party banks and deal directly with the end users. This is a more profitable (higher margin) and higher growth strategy. As the business focus moved to support the new strategy the older revenue model was discontinued. The group decided to dissolve a number of smaller subsidiary undertakings which serviced this older model. These operations have no resale value and are in the process of being wound up.

A dormant company, Cognosec Ltd (formerly SecureTrading Now Ltd), holding no trade or assets, was sold for £1 to Cognosec AB, a related party to simplify the group structure.

Notes *(continued)*

14. Non-Controlling interest

The following is summarised financial information for the STG sub group, prepared in accordance with IFRS. The information is before inter-company eliminations. Other companies in the group include SecureTrading Ltd, Secure G Holdings Ltd, Secure Trading Group Inc, SecureTrading FS Holding Ltd, SecureTrading Financial Services Limited.

	2015
Revenue	15,465,843
Loss	(5,527,645)
Loss attributable to NCI	**(1,107,692)**
Other Comprehensive Income	1,446,201
Total comprehensive income	(4,092,259)
Total comprehensive income attributable to NCI	**818,452**
Current Assets	20,440,126
Non-current assets	3,741,201
Current liabilities	(43,632,935)
Non-current liabilities	(418,748)
Net liabilities	**(19,870,357)**
Net liabilities attributable to NCI	**(4,745,140)**
Dividends paid to NCI during the year	**Nil**

Notes *(continued)*

15. Financial assets classified as available-for-sale

Financial assets classified as available-for-sale

	2015	2014
	£	£
Investment in Visa Europe Limited	1,423,780	-

Following the public announcement on 2 November 2015 of the proposed sale of Visa Europe Limited ("Visa Europe") to Visa Inc., the fair value of the Company's equity interest in Visa Europe has been established by reference to the consideration offered by Visa Inc. A gain has been recognised in the Consolidated Statement of Comprehensive Income for the revised valuation.

The deal values Visa Europe at up to €21.2bn, payable as €11.5bn in cash, €5bn in Visa Inc. preferred stock, and a potential future earn-out of up to €4.7bn. No value has been attributed to the preference share element to take account of the litigation risk borne by Visa Inc. which is disclosed as a contingent liability in the financial statements of Visa Europe.

On 22 April 2016, following management's assessment of the year-end valuation, Visa Inc. made a further announcement regarding the terms of the agreement. As a result of this announcement, the potential amounts due to the Company are estimated at a cash payment of €1.9m when the deal completes, a deferred payment of €167 after three years, with the possibility of a further €0.7m of preferred shares in Visa Inc. allocated over 12 years.

The following fair value was assigned to the Company's interest in Visa Europe Limited as a result of the transaction:

- Cash payment of €1,931,785 (£1,423,780). The fair value of the cash consideration has been measured as the Company's expected proportionate share of the upfront proceeds from the sale.
- Preferred shares of €nil. The shares are convertible to Visa Inc. common shares subject to satisfaction of certain conditions and the final amount is subject to a significant litigation contingency: Given the uncertainty surrounding the level of liability for any litigation, and a total period of 12 years before any shares are received, the Company has assigned no fair value to this element.

Should the value of the cash consideration decrease by 5%, the Company will record a fair value loss amounting to €90,606.

16. Trade and other receivables

	Group		**Company**	
	2015	2014	**2015**	2014
	£	£	**£**	£
Current				
Trade debtors	**952,756**	1,105,111	-	-
Amounts due from card schemes	**5,169,801**	2,373,081		
Amounts owed by Group Undertakings	-	-	**6,978,470**	10,467,250
Other debtors	**4,446,136**	2,202,049	**293,968**	130,549
Prepayments and accrued income	**295,311**	307,543	-	-
Deferred tax asset	**405,170**	-	-	-
	11,269,174	5,987,784	**7,272,438**	10,597,799

Notes *(continued)*

17. Current liabilities

	Group		Company	
	2015	2014	**2015**	2014
	£	£	**£**	£
Bank loans and overdrafts	**15,770,646**	20,000	-	-
Principal amounts due on Finance Leases	**223,067**	143,814	-	-
Trade creditors	**4,089,458**	3,681,759	-	-
Funds due to merchants	**12,568,788**	-	-	-
Amounts due to group undertakings	-	-	-	4,327,793
Other taxes and social security costs	**1,151,352**	1,231,252	-	-
Other creditors	**4,843,138**	5,774,893	**3,707,216**	1,427,746
Accruals and deferred income	**2,034,645**	1,443,775	-	-
	40,681,094	12,295,493	**3,707,216**	5,755,539

The loan balance of £15.8m held at 31 December 2015 has been reclassified as less than 1 year. Please see Note 1.6 Going Concern.

18. Non-current liabilities

Group

	2015	2014
	£	£
Loan	-	14,282,851
Less: loan arrangement fee	-	(467,188)
Finance leases	**418,748**	362,198
Net liability of the loan	**418,748**	14,177,861

Maturity of debt:	**2015** **£**	2014 £
In one year or less or on demand	**16,298,401**	163,814
In more than one year but not more than two years	**183,657**	138,336
In more than two years but not more than five years	**235,091**	14,506,713
Capitalised loan arrangement fee	**(304,688)**	(467,188)
	16,412,461	14,341,675

Loan arrangement fees of £650,000 were incurred on issue of the loan and are being expensed over the life of the loan. Costs of £162,500 were expensed in the period to 31 December 2015 *(2014: £162,500).*

Notes *(continued)*

19. Provisions for deferred tax

The group had £nil deferred tax assets in 2015 *(2014: £nil)*. The group has an unrecognised deferred tax asset of £5,168,630 at 18% which has not been recognised on the grounds that there is insufficient evidence that the asset will be recovered.

20. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
948,898,764 A ordinary shares of £0.0001 each	**94,890**	94,075
10 B ordinary shares of £0.0001 each	**-**	-
	94,890	94,075

The holders of the A ordinary Shares hold between them no more than 49.5% of the total voting rights. The holders of the B ordinary shares hold between them no more than 50.5% of the total voting rights. The A ordinary and B ordinary shares rank pari passu in all other respects.

During the year, the Company issued 8,150,887 A ordinary shares of £0.0001 per share at the following prices.

Quantity	Type of Consideration	Price per share €
3,710,887	Cash	0.50
4,440,000	Services provided to the Group	See note below

During the year, the Company issued 4,400,000 shares to an existing shareholder in connection with their assistance in arranging funding. The 4,440,000 shares have been valued in the accounts at £49,560.

21. Directors' emoluments

	2015 £	2014 £
Emoluments for qualifying services	**657,798**	547,712

The highest paid director in the year received remuneration of £348,348 (2014: *£342,712)*.

Notes *(continued)*

22. Share based payments

The company recognised total expenses of £83,297 *(2014: £69,318)* relating to equity settled share-based payment transactions during the year, comprising £33,737 *(2014: £52,518)* relating to a share option scheme for employees and £49,560 *(2014: £16,800)* to an issue of shares in the year.

The company continued to operate a share option scheme for employees (including directors and consultants). Under the scheme, the company may grant HMRC approved EMI share options and unapproved options to acquire ordinary shares in UC Group Limited.

Options may not normally be exercised until three years after the grant date or upon change in control, if earlier, although in some cases options are granted with shorter exercise periods.

In the year ended 31 December 2015, there were 1,000,000 options granted *(2014: 26,886,914)*. There were 50,299,914 share options outstanding at the end of the year, 25,647,000 of these had an exercise price of 5p per share, 1,152,000 of them had an exercise price of 10p per share and 23,500,914 of them had an exercise price of 15p per share. The weighted average remaining contractual life of these options was 7.45 years.

The following table shows the movement of share options during the year:

	2015 Number	2014 Number
Outstanding at the beginning of the year	**51,115,914**	25,897,000
Granted during the year	**1,000,000**	26,886,914
Options exercised during the year		-
Lapsed during the year	**(1,816,000)**	(1,668,000)
Outstanding at the end of the year	**50,299,914**	51,115,914

23. Control

The ultimate controlling party is J A Paulsen, a director of the company, who controls the company as a result of controlling directly more than 50.5% of the voting rights of the company in the form of B ordinary shares.

24. Related Party Transactions

Group

Mansion Associates Limited ("MAL") is majority owned by Mr J A Paulsen, director of UC Group Limited. It incurs certain consultancy and head office costs on behalf of the company. These services have been recharged on a commercial basis. Cognosec AB and Cognosec Limited is majority owned by Mr J A Paulsen, director of UC Group Limited. All related party transactions are at arms-length and not secured.

	2015 Sales	2014 Sales	**2015 Purchases**	2014 Purchases	**2015 Year End**	2014 Year End
Cognosec Limited	**-**	-	**-**	-	**(45,549)**	-
Cognosec AB	**818,151**	-	**-**	-	**818,151**	-
Mansion Associates Ltd	**2,369,117**	98,649	**-**	-	**1,320,329**	(976,442)

As a result of the sale of Cognosec Limited, a dormant entity, to Cognosec AB during the year (Note 13) there is a balance held with Cognosec Limited at year-end that has been disclosed as a related party.

Notes *(continued)*

Related Party Transactions *(continued)*

£1.0m of revenue was recognised in 2015 (2014: £nil) from a sale of a licence for the use of certain business process patents developed and owned by the Group to a related party of Ramphastos Investments NV, of which M M J Boekhoorn, director of UC Group Limited, has a holding.

Transactions with Directors

During 2015 an amount of £43,523 (2014: *£nil)* was paid to F S Hove. There were amounts of £167,000 (2014: *£118,000*) owed by F S Hove and £nil (2014: *£10,000)* owed to The Rt Hon.the Lord Blunkett.