Financial Statements
eMerchantPay Limited

For the year ended 31 August 2017

Registered number: 05153270

Company Information

Directors	S R Dickson A R Goslar J Reynisson A V Hrolfsson
Company secretary	A Robinson
Registered number	05153270
Registered office	29 Howard Street North Shields Tyne & Wear NE30 1AR
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU

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For the year ended 31 August 2017

Principal Activity

The principal activity of the Group is the provision of payment services to merchants including the provision of payment gateways and approval technology enabling merchants to accept payments by debit and credit cards and a large variety of other payment methods. The Directors do not envisage any material change in the nature of the activities of the Group in the ensuing year.

The Group was formed in 2004 and continues to grow its product offering and expand its geographic coverage. The Company leverages services and products provided by other companies within the wider eMerchantPay Group Limited group of companies, this includes operational support from the Group's operations company, eMerchantPay OOD in Bulgaria.

In early 2017 eMerchantPay Limited applied to the UK FCA to upgrade its Payment Institution Permissions and to become an Electronic Money Institution (EMI). This was granted on 12^{th} June 2017 and this enhances the range of products that eMerchantPay Limited can offer to its merchants.

Market focus

As noted in previous years eMerchantPay has significant expertise and is active in the processing of transactions for industries and merchants where significant knowledge and expertise in payments along with the management of risk and fraud is essential. The Group focuses on e-commerce and in particular the provision of a one stop shop product solution globally. The industry verticals that are the current focus of this sector-based strategy are:

- Gaming
- Skill games (subscription, play to win, virtual worlds, fantasy sports).
- Casual games (micro transactions)
- Forex and binary options
- Adult
- Food supplements
- Other high risk; music download, discount club membership, currency exchange, electronics, financial repair, prepaid phone cards, merchants selling wine, ticket brokering and insurance

As part of the eMerchantPay Group Limited group of companies the eMerchantPay Limited group has benefited from the overall restructuring of the Group's sales organisation with increased focus on direct sales to the gaming/gambling, FX, travel and general retail merchants and the development of a partner management team.

A number of changes in Card Scheme rules have come into effect, notably Visa's requirements for residency. This has adversely impacted the growth of both the PSP and acquiring divisions with many merchants not being willing to comply with these requirements. This coincided with the Group retrenching its position on Binary Option merchants with many being terminated and a number of geographies being blocked. The effect of these changes was a significant downturn in processing volumes. Since then both divisions have recovered.

The acquiring division has, during the last few months of the financial year, seen particularly strong growth across a number of market sectors and is now a significant contributor to the group's earnings.

Strategic report

For the year ended 31 August 2017

Business activities and performance indicators

The business is currently structured around two profit centres being:

- ***Europe PSP (Payment Services Provider)*** – providing a large number of international payment solutions to European merchants through contracting with a number of card acquiring banks and international alternative payment solutions. The Europe PSP profit centre is operated under the brand name eMerchantPay.

- ***Europe Acquirer*** – the provision of debit and credit card acquiring services in Europe provided to European PSPs, including the eMerchantPay PSP, both for e-commerce and a little card present. This profit centre is operated under the brand name e-Comprocessing.

Allowing for the scheme rule changes, the regulatory changes around Binary Options and the short term disruption caused by restructuring the sales organisations, both profit centre have performed well and have finished the year much stronger than the start. The continued addition of acquiring partners and the balancing of both the PSP and Acquiring portfolios have enabled the boarding of further high-risk business which has helped to protect the Group's margins.

Processing volumes continue to be the key metric by which the Group's performance is monitored, followed by margin. These two drive the resourcing requirements and therefore the expense base and the ultimate profitability of the Group. Given the disruptions to business during the year the Board are pleased to note that the volumes processed were:

PSP activity	2016	$822.7m	2017	$696.7m	decrease of 15%
Acquiring activity	2016	$466.5m	2017	$592.3m	increase of 27%

In all respects the Board are pleased with the performance in the year and particularly the growth of the Europe Acquiring business. It is fully expected that strong growth in both profit centres and across all sectors will continue throughout 2017/2018 as the strategies developed over the last few years are delivered.

Business review

The Directors are pleased with the Group's performance in the financial year and of its strength moving into the current year. While ultimate profitability may not be as strong as was intended the results reflect the difficulties encountered during the year. Volume growth is back on track and costs, while reflecting the changes in the organisation remain under control.

The Group continues to add new card acquiring partners to its portfolio and to expand upon the range of cards and alternative payment solutions it offers to its merchants. Specific product capabilities have been developed to support particular industry verticals including the travel and general retail sectors mentioned earlier.

The Directors and Senior Management Team are committed to the ongoing delivery of additional product and solution capabilities and have re-arranged certain responsibilities to put appropriate focus and expertise to specific activities. The results of this are starting to appear.

Strategic report

For the year ended 31 August 2017

Review of Trading Results

The Group's performance in the year to 31st August 2017, taking into account the changes during the year, was again strong. Overall processing volumes remained flat at $1.3 billion. Gross Profit increased by 7.7% in absolute terms but dropped as a percentage of turnover from 56% to 52%. This is a reflection of a greater own PSP originated volume being acquired through the Acquiring business. EBITDA has decreased by 16.4% from $6.6 million to $5.5 million, which reflects the increased cost base of the Group following the restructure of the sales team mentioned above and increased premises costs.

The Group's cash and bank balances are $8.52 million (2016 $7.97 million) and total equity is now $30.04 million (2016 $25.18 million).

Even with margin compression the Directors are expecting the overall profitability of the Group to continue to increase as the current business lines continue to grow and new lines come on stream.

Across the wider eMerchantPay Group Limited group of companies there is a complex transfer pricing policy which ensures that the cost of internal services and products are charged to the relevant business unit using those services and that therefore the Group Accounts in this report fairly reflect the Group's activities.

Position of the Group at Year End

As noted above the Group has continued to perform strongly. The Directors recognise the need for ongoing business development plans and feel that within the existing plans there is substantial potential for further growth over the next years. Both the PSP and Acquiring business will grow during 2017/2018 particularly as a result of the refocussing of the sales activity. We shall continue to seek to add acquiring banks to our portfolio to ensure we can support this growth. The continued addition of new alternative payment solutions will additionally support the growth plans.

In addition, the gaining of EMI status for eMerchantPay Limited enables the development and delivery of additional products including prepaid cards and the issuance and redemption of e-money. These opportunities are being assessed and investigated.

The Acquiring business has grown steadily over the current year and it is envisaged that this will continue. The strategy will continue to be to source business from PSP's and ISO's while also ensuring that the portfolio remains balanced and there is no single industry dependency. The eMerchantPay PSP will be one such but the eMerchantPay PSP will continue to work with and seek additional banks across the globe. This mitigates risk for the Group and indeed its merchants, while building capacity allowing the business to grow.

The Directors recognise that the success of the Group is dependent upon continued growth opportunities and they will work along with the Senior Management to ensure the Group continually evolves.

Strategic report

For the year ended 31 August 2017

Principal Risks and Uncertainties

The Directors believe that the diversification through growing in the USA and Asia will protect the Group from any impacts that may affect the current European business. The big uncertainty facing the Group is the impact of Brexit. Currently eMerchantPay Limited is licensed in the UK and that license is passported across Europe. There is considerable uncertainty in the Financial Sector and within the Card Schemes as to what is going to happen post Brexit. The Directors have determined that to wait and see is too great a risk and therefore a subsidiary of eMerchantPay Limited will be formed in Belgium where it will obtain appropriate licensing and membership of the Card Schemes to ensure that, whatever the Brexit result, the Group will continue to process for its merchants seamlessly.

Technology Risk

Technology is critical to ensuring the delivery of a market-leading product and service to the Group's merchants. The "payment gateway" is the front-end technology that clients experience. The Group has since 2002 worked with a third party gateway provider to develop and run a high quality gateway. The eMerchantPay Group is the principal user of this gateway and its development has been focussed upon supporting eMerchantPay's requirements. The PSP merchants and their processing sit on this platform and its ongoing development is key to the Group's success.

In addition to this the Group has developed its own payment gateway which is being used in two instances. It is the front-end for the acquiring business connecting a number of ISO's and PSP's to the processor and there is a separate PSP instance of the gateway as well.

By integrating the gateways the Group is able to more rapidly add additional APM's, add flexibility and so increasing the product offering.

There are a number of core risk that could affect the Group's key technology, namely:

- ***Data Security Risk:*** the safe transmission and storage of personal and transactional information is key to the success of the business. The Group therefore ensures that all appropriate technology is certified as Payment Card Industry Data Security Standard (PCI DSS) Level 1 and that technology that does not need to be certified as such but which is customer facing is maintained and operated in a PCI DSS Level 1 environment.

- ***Cyber Attack:*** the risk of a DDOS attack is very real these days and the Group has experienced a number of attempts. All market facing software has the appropriate DDOS protection.

Regulatory Risk

The international regulatory landscape for the payments industry is constantly changing. It is important that eMerchantPay remains fully aware of all proposals and changes in the countries where it operates and adopts changes and requirements promptly. This enables the Group to ensure the continuation of service to its clients.

Merchant Credit Risk

eMerchantPay has always taken the credit risk of its merchants from its partner acquiring banks. This exposes the Group to the contractual liability of merchant to deliver the goods and services as advertised and/or refund the associated payment.

To mitigate this exposure eMerchantPay employs a number of tools including a significant investment in fraud and risk protection tools, the adoption of rolling credit reserves and the delay in settlement to merchants.

In the accounts for the year there is $89,710 (2016: $81,685) for merchant credit write-off.

Strategic report

For the year ended 31 August 2017

Settlement Risk

In processing payment transactions eMerchantPay is required to remit the proceeds it receives from the schemes to settle the transactions of its merchants. Failure to settle those transactions, either because funds have not been received or eMerchantPay's (or its partner banks) systems have failed would expose eMerchantPay breaching it merchant contracts exposing it to legal, financial and reputational consequences.

To mitigate this eMerchantPay's designated bank accounts are monitored and reconciled daily ensuring that any rejected or unexpected payments are identified and corrected as soon as possible. The funds received daily are also reconciled to scheme settlement reports to ensure that the appropriate level of funds have been received and that there is sufficient liquidity to allow eMerchantPay to meet its obligations to its merchants.

Financial Risk

eMerchantPay operates across the globe and as a result is exposed to a number of financial risks including foreign exchange risks and interest rate risks.

Approved by the Board of Directors and signed on behalf of the Board

S R Dickson
Director

13 December 2017

Directors' report

For the year ended 31 August 2017

Results

The profit for the year, after taxation, amounted to $4,496,959 (2016: $9,828,514)

Post balance sheet events

There have been no significant events affecting the Group identified subsequent to year end through to the date of this report.

Disclosure of information to auditors

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

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

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar whichever is earlier.

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

S R Dickson
Director

13 December 2017

Directors' responsibilities statement

For the year ended 31 August 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of eMerchantPay Limited

Opinion

We have audited the financial statements of eMerchantPay Limited (the 'parent company') and its subsidiary (the 'group') for the year ended 31 August 2017 which comprise of the Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 August 2017 and of the group's profit and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of eMerchantPay Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 8, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of eMerchantPay Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 December 2017

Consolidated statement of profit or loss

For the year ended 31 August 2017

	Notes	2017 $	2016 $
Revenue	4	48,814,194	42,071,543
Other income		285,873	172,987
Direct expenses		(23,524,057)	(18,586,120)
Employee benefits expenses	6	(467,609)	(548,169)
Amortisation of non-financial assets	11	(25,190)	(6,297)
Other expenses		(19,550,207)	(16,482,337)
Operating profit	7	5,553,004	6,621,607
Finance costs	8	-	(592)
Finance income	8	5,341	43,930
Profit on disposal of investments	9	-	5,361,582
Profit before tax		5,538,345	12,026,527
Tax expense	10	(1,041,386)	(2,198,013)
Profit for the year		4,496,959	9,828,514

All amounts relate to continuing operations.

The notes on pages 20 to 44 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 August 2017

	Notes	2017 $	2016 $
Profit for the year		**4,496,959**	**9,828,514**
Other Comprehensive Income:			
Items that can be reclassified subsequently to profit or loss			
Available-for-sale financial assets current year gains	12	**432,477**	**122,744**
Income tax relating to items that will be reclassified	17	**(68,538)**	**(22,094)**
Other comprehensive income for the year, net of tax		**363,939**	**100,650**
Total comprehensive income for the year		**4,860,898**	**9,929,164**

The notes on pages 20 to 44 form part of these financial statements.

eMerchantPay Limited
Registered number: 05153270

Consolidated statement of financial position

As at 31 August 2017

	Notes	2017	2016
		$	$
Assets			
Non-current			
Intangible assets	11	**44,081**	**69,271**
Other long-term financial assets	12	**13,085,996**	**11,417,680**
Non-current assets		**13,130,077**	**11,486,951**
Current			
Inventories	13	**17,454**	**23,979**
Trade and other receivables	14	**28,703,396**	**21,061,443**
Cash and cash equivalents	15	**8,519,836**	**7,967,080**
Current assets		**37,240,686**	**29,052,502**
Total assets		**50,370,763**	**40,539,453**

eMerchantPay Limited
Registered number: 05153270

Consolidated statement of financial position

As at 31 August 2017

	Notes	2017	2016
		$	$
Equity and liabilities			
Equity			
Share capital	16	2	2
Retained earnings		29,571,433	25,074,474
Other components of equity		464,589	100,650
Total equity		30,036,024	25,175,126
Liabilities			
Non-current Liabilities			
Deferred tax liability	17	446,056	402,960
Non-current liabilities		446,056	402,960
Current Liabilities			
Pension and other employee obligation	18	110,000	53,182
Trade and other payables	19	19,103,132	13,461,318
Current tax liabilities		675,551	1,446,867
Current liabilities		19,888,683	14,961,367
Total liabilities		20,334,739	15,304,327
Total equity and liabilities		50,370,763	40,539,453

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 December 2017.

S R Dickson
Director

The notes on pages 20 to 44 form part of these financial statements.

eMerchantPay Limited
Registered number: 05153270

Consolidated statement of changes in equity

For the year ended 31 August 2017

	Share capital	Retained earnings	Other components of equity	Total equity
	$	$	$	$
Balance at 1 September 2015	2	15,245,960	-	15,245,962
Profit for the year	-	9,828,514	-	9,828,514
Other comprehensive income	-	-	100,650	100,650
Balance at 31 August 2016 and 1 September 2016	**2**	**25,074,474**	**100,650**	**25,175,126**
Profit for the year	-	4,496,959	-	4,496,959
Other comprehensive income	-	-	363,939	363,939
Balance at 31 August 2017	**2**	**29,571,433**	**464,589**	**30,036,024**

The notes on pages 20 to 44 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 August 2017

	Notes	2017	2016
		$	$
Operating activities			
Profit before tax		5,538,345	12,026,527
Non-cash flow adjustments	21	(447,558)	(5,189,644)
Net changes in working capital	21	(1,940,110)	(1,284,306)
Taxes paid		(1,838,143)	(912,274)
Net cash from operating activities		1,312,534	4,640,303
Investing activities			
Purchase of other intangible assets	11	-	(75,568)
Purchase of other long term financial assets	12	(720,338)	(6,037,336)
Proceeds from disposals of other long term financial assets	9	-	2,995,098
Interest (paid)/received on deposits	8	(7,918)	34,402
Dividends received	8	16,572	-
Net cash used in investing activities		(711,684)	(3,083,404)
Financing activities			
Interest paid	8	-	(592)
Net cash used in financing activities		-	(592)
Net change in cash and cash equivalents		600,850	1,556,307
Cash and cash equivalents, beginning of year	15	7,967,080	6,533,058
Exchange differences on cash and cash equivalents		(48,094)	(122,285)
Cash and cash equivalents, end of year	15	8,519,836	7,967,080

The notes on pages 20 to 44 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 August 2017

1. Nature of operations

The principal activity of the Group is the provision of payment services to merchants including a payment gateway and approval technology enabling merchants to accept payments by debit and credit cards and other payment methods and acquiring of Mastercard and Visa transactions.

2. General information and statement of compliance with IFRSs

eMerchantPay Limited the Group's parent company, is a limited liability company incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 29 Howard Street, North Shields, Tyne & Wear, NE30 1AR.

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with IAS 1.51(b) International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The consolidated financial statements for the year ended 31 August 2017 (including comparatives) were approved and authorised for issue by the board of directors on 13 December 2017.

In 2017 the Group has not applied any new accounting policies (see Note 3 below) or made other retrospective changes that have a material effect on the consolidated statement of financial position as at 1 September 2016. Accordingly, the Group is not required to present a third statement of financial position as at that date.

3. Changes in accounting policies

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company and the Group. Information on those expected to be relevant to the Company and the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company and the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company and the Group's financial statements.

New and revised standards – IFRS in issue but not applied in the current financial statements
The following IFRSs have been issued but have not yet been applied by the Company and Group in preparing these financial statements as they are not as yet effective. The Group intends to adopt these standards when they become effective, rather than adopt them early.

- IFRS 9, 'Financial Instruments', effective date 1 January 2018;
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018;
- IFRS 16, 'Leases', effective date 1 January 2019.

The above standards are yet to be subject to a details review. IFRS 9 will impact both the measurement and disclosure of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of leases currently treated as operating leases. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and its subsidiary as of 31 August 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 August. All information consolidated is for the 12 months to 31 August. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of Group members have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

4.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Strategic Report.

The Group meets its day to day working capital requirements through its own funds held in corporate accounts with its' bankers. The current economic conditions create uncertainty particularly over the level of demand for the Group's services and the exchange rate between US Dollar, Sterling and Euro and thus the consequence for the cost base for the Group's activities.

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

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in US Dollars ("USD") which is also the functional currency of the parent company.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies (continued)

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

The functional currency of the entities in the Group is USD and has remained unchanged during the reporting period.

4.5 Revenue

Revenue arises from the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group generates revenues from the provision of payment services to online merchants and from fees and commissions earned in respect of its services as an acquirer for MasterCard and Visa.

Consideration received for these services is recognised as revenue at the point at which the online transaction is executed.

4.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

4.7 Intangible asset

Recognition of intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

Intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.8. The following useful lives are applied:

- Software - 3 years

Amortisation has been included within amortisation of non-financial assets within the consolidated statement of profit or loss.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies (continued)

4.8 Impairment testing of intangible assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.9 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

4. Summary of accounting policies (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities. AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported with other components reserve within equity, except for interest and dividend income, impairment losses are foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value and measured subsequently at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies (continued)

4.11 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings includes all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies (continued)

4.14 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Revenue recognition

Commission for the provision of online payment services is calculated as a percentage of or a fixed fee on the value of the transaction the service is provided in respect of. Turnover is recognised at the value of commissions earned for services provided during the year.

The directors recognise that they adopt some credit risk around the transactions the Group processes but do not consider that there is any significant impact on their role as agent in the transactions.

Functional currency

The directors believe that due to the nature of the business and given that a significant proportion of the Group and Company's income is derived in US dollars, the functional currency of the Group and Company is US dollars and the financial statements should be presented in US dollars.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Notes to the Financial Statements

For the year ended 31 August 2017

4. Summary of accounting policies (continued)

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 25).

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that that group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

5. Interests in subsidiaries

Composition of the Group

Set out below are details of the subsidiaries held by the Group.

Shares held by eMerchantPay Limited:

Company Name	Country	Percentage Shareholding	Description
EMPPay Limited	United Kingdom	100%	Provides payment solutions to small merchants

Notes to the Financial Statements

For the year ended 31 August 2017

6. Employee remuneration

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
	5	5

Expenses recognised for employee benefits are analysed below

	2017	2016
	$	$
Non-executive directors' fees	71,396	76,418
Sums paid to third parties for employee services	396,213	471,751
	467,609	**548,169**

7. Operating profit

Operating profit is stated after charging:

	2017	2016
	$	$
Amortisation of intangibles	25,190	6,297
Foreign exchange (gains)/losses	(528,079)	333,669
Auditors remuneration		
- for audit services	74,310	71,470
- for non-audit services	11,000	16,153

Notes to the Financial Statements

For the year ended 31 August 2017

8. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2017	2016
	$	$
Other interest	-	592

Finance income for the reporting periods consists of the following:

	2017	2016
	$	$
Interest on bank deposits	22,548	55,838
Interest on security deposits	(33,779)	(12,346)
Other interest	-	438
Dividends received	16,572	-
	5,341	**43,930**

9. Profit on disposal of investment

eMerchantPay Limited ("eMP") was a principal member of Visa Europe Limited ("VE"), an association owned by member banks and other payment service providers, providing services for Visa cards issued across Europe. In June 2016, VE was acquired by Visa Inc. ("VI"), an unrelated entity providing the same payment services as VE but outside of Europe, through a 100% share capital purchase to create single global Visa card payment processing business.

eMP held one €10 redeemable share in VE and as part of the transactions received a predefined share (depending on the respective business volumes for each Principal Member) of total consideration to be paid by VI in return for their VE shareholding. The total consideration paid was a mixture of cash, convertible preferred stock (the "up front consideration") and additional cash subsequent to the deal close (the "deferred consideration"), which is payable shortly after the third anniversary of the transaction date and entitlement to its receipt is not contingent upon any future event.

The consideration receivable was:

	2016
	$
Upfront cash consideration	2,995,098
VI convertible preferred stock	2,046,650
Deferred consideration	319,834
Total	**5,361,582**

No such transactions occurred during the financial year ended 31 August 2017.

Notes to the Financial Statements

For the year ended 31 August 2017

10. Tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of eMerchantPay Limited at 19.58% (2016: 20%) and the reported tax expense in profit or loss are as follows:

	2017	2016
	$	$
Profit before tax	5,538,345	12,026,527
Domestic tax rate for eMerchantPay Limited	19.58%	20%
Expected tax expense	1,084,453	2,405,306
Expenses not deductible for tax purposes	4,647	6,022
Adjustments to tax charge in respect of prior periods	(1,227)	7,373
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	(48,410)	(41,972)
Current tax (current period) exchange differences arising on movement between opening and closing spot rates	21,000	(136,395)
Non-taxable income	(3,245)	(1,072,316)
Chargeable gains	-	1,072,313
Adjustment to brought forward balances	80,394	24,549
Deferred tax not recognised	(68,538)	(22,094)
Adjust closing deferred tax to average rate of 19.58%	(67,717)	(44,773)
Adjust opening deferred tax to average rate of 19.58%	35,389	-
Tax suffered on foreign dividend	4,640	-
Actual tax expense	**1,041,386**	**2,198,013**

Tax expense comprises:

	2017	2016
	$	$
Current tax expense		
Current tax on profits for the year	1,036,707	1,851,745
Adjustment in respect of previous year	30,121	(34,598)
Current tax expense	**1,066,828**	**1,817,147**
Deferred tax expense		
Origination and reversal of temporary differences	(25,442)	380,866
Deferred tax expense	**(25,442)**	**380,866**
Total tax expense	**1,041,386**	**2,198,013**

Notes to the Financial Statements

For the year ended 31 August 2017

11. Intangible assets

	Acquired Software Licenses $
Gross carrying amount	
At 1 September 2016	75,568
Additions	-
At 31 August 2017	**75,568**
Amortisation and impairment	
At 1 September 2016	6,297
Provided in the year	25,190
At 31 August 2017	**31,487**
Carrying amount at 31 August 2017	**44,081**
Carrying amount at 31 August 2016	69,271

All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

Notes to the Financial Statements
For the year ended 31 August 2017

12. Other long term financial assets

	AFS (FV) $	Other Investments $	Security deposits $	Total $
Cost or valuation				
At 1 September 2016	2,169,394	600,000	8,648,286	11,417,680
Additions	-	725,000	299,050	1,024,050
Disposals	-	-	(303,712)	(303,712)
Foreign exchange movement	-	-	549,280	549,280
Interest on security deposits	-	-	(33,779)	(33,779)
Revaluation of listed investments	432,477	-	-	432,477
At 31 August 2017	2,601,871	1,325,000	9,159,125	13,085,996
Net book value				
At 31 August 2017	**2,601,871**	**1,325,000**	**9,159,125**	**13,085,996**

	AFS (FV) $	Other Investments $	Security deposits $	Total $
Cost or valuation				
At 1 September 2015	-	285,000	3,012,644	3,297,644
Additions	2,046,650	315,000	5,722,336	8,083,986
Foreign exchange movement	-	-	(74,348)	(74,348)
Interest on security deposits	-	-	(12,346)	(12,346)
Revaluation of listed investments	122,744	-	-	122,744
At 31 August 2016	2,169,394	600,000	8,648,286	11,417,680
Net book value				
At 31 August 2016	**2,169,394**	**600,000**	**8,648,286**	**11,417,680**

Other investments represent long-term bank deposits.

Notes to the Financial Statements

For the year ended 31 August 2017

12. Other long term financial assets (continued)

The details and carrying amounts of AFS financial assets are as follows:-

	2017	2016
	$	$
Listed securities	2,601,871	2,169,394
Total AFS Financial Assets at fair value	**2,601,871**	**2,169,394**

The Group holds 1,922 Series B Convertible Participating Preferred Stock, par value $0.0001 per share, in Visa Inc. ("VI"), following the acquisition of Visa Europe Limited ("VE") by VI in the previous year (see Note 9).

During the year a gain of $432,477 (2016: $122,744) was recognised in other comprehensive income.

The Group plans to continue to hold its investment in VI.

13. Inventories

Inventories consist of the following:

	2017	2016
	$	$
Merchandise	**17,454**	**23,979**

14. Trade and other receivables

Trade and other receivables consist of the following:

	2017	2016
	$	$
Trade receivables	7,206,098	4,700,609
Financial assets	**7,206,098**	**4,700,609**
Amounts owed by related parties	20,293,871	13,456,275
Other debtors	556,101	2,405,874
Prepayments	647,326	498,685
Non-financial assets	**21,497,298**	**16,360,834**
	28,703,396	**21,061,443**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment and none were found to be impaired.

Notes to the Financial Statements

For the year ended 31 August 2017

15. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2017	2016
	$	$
Cash at bank and in hand:		
- USD	4,100,694	4,593,917
- GBP	318,984	770,858
- EUR	681,208	2,077,305
- Other currencies	-	-
Short-term deposits		
- USD	3,000,000	525,000
- EUR	118,950	-
	8,519,836	**7,967,080**

16. Share capital

	2017	2016
	$	$
Shares authorised, issued and fully paid:		
1 Ordinary share of £1	2	2

17. Deferred tax liabilities

Deferred taxes arising from temporary differences are summarised as follows:

	1 September 2016	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 August 2017**
	$	**$**	**$**	**$**
Deferred tax relating to:				
Accelerated capital allowances	(12,469)	4,975	-	(7,494)
Short-term temporary differences	(22,094)	-	(68,538)	(90,632)
Capital gains	(368,397)	20,467	-	(347,930)
	(402,960)	**25,442**	**(68,538)**	**(446,056)**

The amount recognised in other comprehensive income relates to the revaluation of listed investments.

Notes to the Financial Statements

For the year ended 31 August 2017

18. Pensions and other employee obligations

The liabilities recognised for pensions and other employee remuneration consist of the following amounts:

	2017	2016
Current	**$**	$
Other short term employees obligations	**110,000**	**53,182**

19. Trade and other payables

Trade and other payables consist of the following:

	2017	2016
Current	**$**	$
Trade payables	484,596	378,339
Amounts owed to related parties	346,133	271,910
Accruals and deferred income	18,272,403	12,811,069
	19,103,132	**13,461,318**

All amounts are short-term. The carrying values of trade payables and accruals and deferred income are considered to be a reasonable approximation of fair value.

20. Financial assets and liabilities

Categories of financial assets and financial liabilities

Note 4.9 provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Note	AFS	Held for trading (FVTPL)	Loans and receivables	Total
2017		**$**	**$**	**$**	**$**
Financial assets					
Security deposits	12	-	-	9,159,125	9,159,125
Other investments	12	2,601,871	1,325,000	-	3,926,871
Other long-term financial assets		2,601,871	1,325,000	9,159,125	13,085,996
Trade and other receivables	14	-	-	7,206,098	7,206,098
Cash and cash equivalents	15	-	-	8,519,836	8,519,836
		2,601,871	**1,325,000**	**24,885,059**	**28,811,930**

Notes to the Financial Statements

For the year ended 31 August 2017

20. Financial assets and liabilities (continued)

		Other liabilities	Total
2017		$	$
Financial liabilities			
Trade and other payables	19	19,103,132	19,103,132
		19,103,132	**19,103,132**

	Note	AFS	Held for trading (FVTPL)	Loans and receivables	Total
2016		$	$	$	$
Financial assets					
Security deposits	12	-	-	8,648,286	8,648,286
Other investments	12	2,169,394	600,000	-	2,769,394
Other long-term financial assets		2,169,394	600,000	8,648,286	11,417,680
Trade and other receivables	14	-	-	4,700,609	4,700,609
Cash and cash equivalents	15	-	-	7,967,080	7,967,080
		2,169,394	**600,000**	**21,315,975**	**24,085,369**

		Other liabilities	Total
2016		$	$
Financial liabilities			
Trade and other payables	19	13,461,318	13,461,318
		13,461,318	**13,461,318**

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 24.

The methods used to measure financial assets reported at fair value are described in Note 25.

Notes to the Financial Statements

For the year ended 31 August 2017

21. Non-cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

Non-cash flow adjustments	**2017**	2016
	$	$
Depreciation, amortisation and impairment of non-financial assets	25,190	6,297
Foreign exchange losses	48,094	122,285
Exchange rate movement in Security deposits	(549,280)	74,348
Interest received on security deposits	33,779	12,346
Interest income	(5,341)	(43,930)
Interest expense	-	592
Profit on disposal of investment	-	(5,361,582)
Total adjustments	**(447,558)**	**(5,189,644)**

Net changes in working capital	**2017**	2016
	$	$
Decrease/(Increase) in inventories	6,525	(23,979)
Increase in trade and other receivables	(7,645,266)	(1,852,752)
Increase in trade and other payables	5,641,813	673,363
Decrease/(Increase) in other employee obligations	56,818	(80,938)
Total changes in working capital	**(1,940,110)**	**(1,284,306)**

Notes to the Financial Statements
For the year ended 31 August 2017

22. Related party transactions

The Group's related parties include its fellow group subsidiaries of the ultimate parent undertaking, eMerchantPay Group Limited as described below.

None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash or by Group set off arrangements.

Name of Fellow subsidiary	Charge in respect of service received 2017	Charge in respect of service received 2016	Outstanding balance 2017	Outstanding balance 2016
	$	$	$	$
eMerchantPay Group Limited (Jersey)	2,969,235	2,186,558	3,810,295	981,629
eMerchantPay UK Services Limited	1,556,414	1,075,849	9,355,634	6,824,535
eMerchantPay OOD	14,749,260	12,294,834	994,227	414,831
eMerchantPay International Limited	-	-	378,235	378,235
eMerchantPay Corporations Inc.	-	-	3,078,872	2,686,227
Interconsult Group Holdings Limited	-	-	179,486	176,942
INSOnline Limited	-	-	1,581,704	1,541,771
EMPPay Inc.	-	-	6,453	4,790
eMerchantPay Asia Inc.	-	-	41,347	97,640
eMerchant Asia Inc.	-	-	530,927	274,634
EMP Holdings Limited	-	-	10,240	2,736
eZeewallet Limited	-	-	239,929	72,305
EMP Mideast FZ LLC	-	-	7,503	-
Bolam Services DWC LLC	-	-	42,436	-
eMerchantPay (Hong Kong) Ltd	-	-	36,581	-
eMerchantPay Group Limited (BVI)	-	-	(346,133)	(271,910)

23. Controlling party

The directors consider that the immediate and ultimate parent undertaking of this group is eMerchantPay Group Limited, a company incorporated in Jersey, by virtue of its controlling stake over it. The largest and smallest Group of which the company is a member and for which Group financial statements are drawn up is headed by eMerchantPay Group Limited. Copies of the financial statements of eMerchantPay Group Limited are available from 3rd Floor, International House, 41 The Parade, St. Helier, Jersey, JE2 3QQ

The ultimate controlling party is Jonas Reynisson.

Notes to the Financial Statements

For the year ended 31 August 2017

24. Financial instruments risk

24.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 20. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

24.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk which results from both its operating and investing activities.

24.3 Foreign currency sensitivity

Most of the Group's transactions are carried out in US Dollars. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros (EUR) and Pounds Sterling (GBP). Further, the Group has bank balances held in EUR, GBP and other currencies. The Group's exposure to foreign currency risk from non-USD cash flows is carefully monitored. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into USD at the closing rate:

	EUR	GBP	Other
	$	$	$
At 31 August 2017			
Financial assets	3,256,848	885,578	74,154
Financial Liabilities	(1,187,845)	(1,383,154)	(89,509)
Total exposure	**2,069,003**	**(497,576)**	**(15,355)**

	EUR	GBP	Other
	$	$	$
At 31 August 2016			
Financial assets	5,739,643	1,466,465	44,341
Financial Liabilities	(877,278)	(2,572,783)	(57,048)
Total exposure	**4,862,356**	**(1,106,318)**	**(12,707)**

Notes to the Financial Statements

For the year ended 31 August 2017

24. Financial instruments risk (continued)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the EUR/USD exchange rate and GBP/USD exchange rate 'all other things being equal'. It assumes a +/10% change of the USD/EUR exchange rate for the year ended at 31 August 2017 (2016: 5%). A +/5% change is considered for the USD/GBP exchange rate (2016: 15%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the USD had strengthened against the EUR by 10% (2016: 5%) and GBP by 5% (2016: 15%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR	**GBP**	**Total**	**EUR**	**GBP**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
31 August 2017	(206,900)	24,879	(182,021)	(206,900)	24,879	(182,021)
31 August 2016	(243,118)	165,948	(77,170)	(243,118)	165,948	(77,170)

If the USD had weakened against the EUR by 10% (2016: 5%) and GBP by 5% (2016: 15%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR	**GBP**	**Total**	**EUR**	**GBP**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
31 August 2017	206,900	(24,879)	182,021	206,900	(24,879)	182,021
31 August 2016	243,118	165,948	77,170	243,118	(165,948)	77,170

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Notes to the Financial Statements

For the year ended 31 August 2017

24. Financial instruments risk (continued)

24.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example receivables to customers and placing deposits. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised below:

	2017	2016
	$	$
Classes of financial assets – carrying amounts:		
- Cash and cash equivalents	8,519,836	7,967,080
- Trade and other receivables	7,206,098	4,700,609
- Security deposits	9,159,125	8,648,286
- Other investments	1,325,000	600,000
	26,210,059	**21,915,975**

The Group continuously monitors defaults of customers, merchants and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 August reporting dates under review are of good credit quality.

At 31 August the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 August, analysed by the length of time past due, are:

	2017	2016
	$	$
Not more than 3 months	4,693	36,305
Total	**4,693**	**36,305**

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The Group has always taken the credit risk of its merchants from its partner acquiring banks. This exposes the Group to the contractual ability of merchant to deliver the goods and services as advertised and/or refund the associated payment.

Notes to the Financial Statements

For the year ended 31 August 2017

24. Financial instruments risk (continued)

To mitigate this exposure eMerchantPay employs a number of tools including a significant investment in fraud and risk protection tools, the adoption of rolling credit reserves and the delay in settlement to merchants.

In the accounts for the year there is $89,710 (2016: $81,685) for merchant credit write-off.

The credit risk for cash and cash equivalents and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

24.5 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available cash balances to identify any potential shortfalls.

The Group's objective is to maintain cash to meet its liquidity requirements for its day to day activities and to fund on-going investment. This objective was met for the reporting periods.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within two months.

As at 31 August 2017, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	
	Within 6 months	6 to 12 months
Trade and other payables	$19,103,132	-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows

	Current	
	Within 6 months	6 to 12 months
Trade and other payables	$13,461,318	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Notes to the Financial Statements

For the year ended 31 August 2017

25. Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the level within the hierarchy of the financial assets and liabilities measured at fair value on a recurring basis at 31 August 2017 and 31 August 2016:

31 August 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Listed Securities	2,601,871	-	-	2,601,871
Security Deposits	-	-	9,159,125	9,159,125
Other investment	-	-	1,325,000	1,325,000
	2,601,871	-	10,484,125	13,085,996
Financial liabilities				
Other	-	-	(19,103,132)	(19,103,132)
Net Fair Value	**2,601,871**	**-**	**(8,619,007)**	**(6,017,136)**

31 August 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Listed Securities	2,169,394	-	-	2,169,394
Security Deposits	-	-	8,648,286	8,648,286
Other investment	-	-	600,000	600,000
	2,169,394		9,248,286	11,417,680
Financial liabilities				
Other	-	-	(13,461,318)	(13,461,318)
Net Fair Value	**2,169,394**	**-**	**(4,213,032)**	**(2,043,638)**

Notes to the Financial Statements

For the year ended 31 August 2017

26. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2017	2016
	$	$
Total equity	30,036,024	25,175,126
Cash and cash equivalents	8,519,836	7,967,080
Capital	**38,555,860**	**33,142,206**
Total equity	30,036,024	25,175,126
Overall financing	**30,036,024**	**25,175,126**
Capital-to-overall financing ratio	**0.78**	**0.76**

27. Contingent liability

Total contingent liabilities at 31 August 2017 amounted to $1.974m (2016: $1.577m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met.

28. Post-reporting date events

No adjusting events have occurred between the 31 August reporting date and the date of authorisation.

29. Authorisation of financial statements

The consolidated financial statements for the year ended 31 August 2017 (including comparatives) were approved by the board of directors on 13 December 2017.

S R Dickson
Director

Company statement of financial position

For the year ended 31 August 2017

	Notes	2017	2016
Fixed assets		$	$
Intangible assets	11	44,081	69,271
Investments	31	13,085,998	11,417,682
		13,130,079	11,486,953
Current assets			
Inventories		17,454	23,979
Debtors	32	28,712,874	20,939,425
Cash at bank		8,394,136	7,967,080
		37,124,464	28,930,484
Creditors: amounts falling due within one year	33	(20,034,770)	(15,042,643)
Net current assets		17,089,694	13,887,841
Total assets less current liabilities		30,219,773	25,374,794
Provision for liabilities	34	(446,056)	(402,960)
Net assets		29,773,717	24,971,834
Capital and Reserves			
Called up share capital	16	2	2
Profit and loss account	35	29,309,126	24,871,182
Other reserves	35	464,589	100,650
Shareholders' funds	36	29,773,717	24,971,834

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 December 2017.

S R Dickson
Director

The notes on pages 46 to 50 form part of these financial statements.

Notes to the company financial statements

30. Accounting Policies

30.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and applicable company law.

Due to the nature of the Company's business and given that a significant proportion of the Company's income is derived in US Dollars the financial statements are presented in US Dollars.

30.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Strategic Report. The Company meets its day to day working capital requirements through its own funds held in corporate accounts with its' bankers. The current economic conditions create uncertainty particularly over the level of demand for the Company's services and the exchange rate between US Dollar, Sterling and Euro and thus the consequence for the cost base for the Company's activities. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

30.3 Investments

Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

30.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

30.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and loss account.

Notes to the company financial statements

30. Accounting Policies (continued)

30.6 Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

30.7 Financial Reporting Standard 101 – reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurements, because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Notes to the company financial statements

31. Fixed asset investments

	Listed Investments	Investments in subsidiary companies	Other long-term financial assets	Security deposits	Total
	$	$	$	$	$
Cost or valuation					
At 1 September 2016	2,169,394	2	600,000	8,648,286	11,417,682
Additions	-	-	725,000	299,050	1,024,050
Disposals				(303,711)	(303,711)
Foreign exchange movement	-	-	-	549,279	549,279
Negative interest on security deposits	-	-	-	(33,779)	(33,779)
Revaluation of listed investments	432,477	-	-	-	432,477
At 31 August 2017	**2,601,871**	**2**	**1,325,000**	**9,159,125**	**13,085,998**
Net book value					
At 31 August 2017	**2,601,871**	**2**	**1,325,000**	**9,159,125**	**13,085,998**
At 31 August 2016	**2,169,394**	**2**	**600,000**	**8,648,286**	**11,417,682**

Please see Note 5 for details of the Company's subsidiary undertakings.

32. Debtors

	2017	2015
	$	$
Trade debtors	7,198,227	4,689,106
Amounts owed by related parties	20,311,220	13,456,275
Other debtors	1,203,427	2,794,044
	28,712,874	**20,939,425**

Notes to the company financial statements

33. Creditors: Amount falling due within one year

	2017	2016
	$	$
Trade creditors	484,596	267,823
Amounts owed to related parties	661,056	526,847
Tax payable	660,663	1,434,305
Other creditors	1,060,698	570,945
Accruals and deferred income	17,167,757	12,242,723
	20,034,770	**15,042,643**

34. Deferred tax

	2017	2016
	$	$
At the beginning of the year	-	-
Charge in year	(446,056)	(402,960)
At end of year	**(446,056)**	**(402,960)**

The deferred tax balance is made up as follows:

Accelerated capital allowances	(7,494)	(12,489)
Short term temporary differences	(90,632)	(22,094)
Capital gains	(347,930)	(368,377)
	(446,056)	**(402,960)**

35. Reserves

	Other reserves	Profit and loss account
	$	$
At 1 September 2016	100,650	24,871,182
Profit for the financial year	-	4,437,944
Revaluation of listed investments	363,939	-
At 31 August 2017	**464,589**	**29,309,126**

36. Reconciliation of movement in shareholders' funds

	2017	2016
	$	$
Opening shareholders' funds	24,971,834	15,101,506
Profit for the financial year	4,437,944	9,769,678
Revaluation of listed investments	363,939	100,650
Closing shareholders' funds	29,773,717	24,971,834

The profit for the year dealt with in the accounts of the Company was $4,437,943 (2016: $9,769,678).

37. Contingent liability

Total contingent liabilities at 31 August 2017 amounted to $1.974m (2016: $1.577m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met.