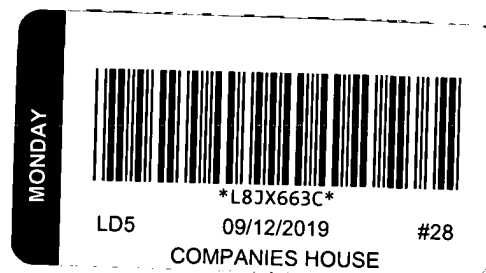


Financial Statements

emerchantpay Limited

For the year ended 31 August 2019

Registered number: 05153270



Company Information

Directors	S R Dickson J Reynisson A R Goslar
Company secretary	A C Robinson
Registered number	05153270
Registered office	29 Howard Street North Shields Tyne & Wear England NE30 1AR
Independent auditors	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 30 Finsbury Square London EC2A 1AG

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emerchantpay Limited

STRATEGIC REPORT

Principal Activity

The Group was formed in 2004 and the principal activity of the Group continues to be 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. Throughout the year the Group has been developing a number of products to expand its services, capability and geographic coverage, these include an eWallet and prepaid card solutions. The eWallet and prepaid card were launched at the end of August 2019 and will significantly expand the product offering of the Group.

Throughout 2018/19 the Group has been expanded through the addition of a number of subsidiaries under emerchantpay Limited. These are to increase the geographic reach and efficiency of the Group and include companies in Hong Kong and Latin America. Further companies will be added throughout the coming years as the reach continues to grow.

The Group 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.

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 currently focuses on e-commerce and in particular the provision of a one stop shop product solution globally. The Group has a wide range of target markets and supports all industries while at the same time being sensitive to the everchanging regulatory environment, political and cultural sensitivities. The Group's technology is designed functionally to enable this.

During the year we have seen significant changes in the regulatory environments in many countries affecting the Financial Services, Crypto currency and Gambling industries. We have also seen both Visa and MasterCard updating many of their rules around these industries. Additionally, there has been an increased awareness and conservatism with regard to payment transactions which has led to an increased fear of money laundering or allegations of potential money laundering. These combined factors have resulted in a significant loss of business to both the PSP and Acquiring business. While the volumes have been replaced this has generally been with lower risk and therefore lower margin business. The recently launched card present and Partner driven business in the UK are both growing steadily and have great potential while the traditional avenues for business continue to deliver.

During the year there has been significant focus on establishing payment solutions internationally with solutions contracted in India, LATAM, and S.E. Asia with negotiations ongoing in a number of other countries. These will enable local payments into merchants and where required local pay outs back to customers. This activity has significantly expanded the Group's international reach and we are now seeing merchants from various geographies contract for the solutions. This forms part of the PSP business.

At the very end of the year the eWallet and prepaid card business was launched. The Group has significant interest in these products from merchants and is expecting to see significant growth in these product lines in the coming year. While the existing business in the USA continues to trickle along, a significant effort has been expended during the year to revitalise the business and develop new relationships. The Group is looking to launch new business verticals with the existing acquiring partner while also negotiating a number of BIN rental deals which will enable the Group to actively target and succeed in boarding a wide range of merchants' categories. Alongside these efforts a distribution

strategy is being developed leveraging existing relationships and initiatives in Europe as well as US specifics.

Business activities and performance indicators

The business is currently structured around three profit centres being:

Europe PSP (Payment Services Provider) – providing a large number of international payment solutions to 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 for European merchants. Merchants are sourced through PSPs and ISO's, including the emerchantpay PSP, both for e-commerce and card present. This profit centre is operated under the brand name E-Comprocessing.

eWallet and prepaid card – this profit centre was launched at the very end of the year and has not impacted the results for the year. It is expected to become a significant contributor to profitability in the next year. This division operates under the brand names eZeeWallet and eZeeCard.

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 2018 \$763.7m; 2019 \$713.1m down 6.6%
- Acquiring activity 2018 \$1,198.4m; 2019 \$1,233.0m up 2.9%

The margin achieved in the year was 49.1% compared to 43.8% in the previous year due a fall in the processing of higher risk volumes which have a lower margin

In all other respects the Board is pleased with the performance, particularly the growth in the Europe Acquiring business. With the roll out of the eWallet and the launching of the international solutions the Board expects profitability to begin to grow significantly during the year 2019/20 and beyond.

Business review

As a consequence of the already mentioned factors the results for the current year are not as was expected. That said the Board have belief in the strategies being followed and continue the investment in time, people and technology to achieve the strategy embarked upon. The Group moves into the new financial year in a strong position with a good range of products and a wide geographic coverage.

The Group's strategy of adding one major card acquiring partners to its portfolio each year continues. This along with delivering merchant portfolios in line with acquirer expectations enables the growth of the higher risk and higher margined sectors, offsetting the growth in the lower risk and margin sectors thereby protecting the Group's revenues.

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.

Review of Trading Results

While the overall results for the year were a little disappointing compared to expectation, the Group remains in a very strong position. Overall processing volumes were flat. Profit before Tax decreased slightly from \$8.35 million to \$8.30 million. EBITDA similarly decreased from \$8.29 million to \$8.16 million.

The Group's cash and bank balances are \$15.52 million (2018 \$14.52 million) and total equity is now \$45.53 million (2018 \$37.61 million).

By following its strategy the Board of 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.

Position of the Group at Year End

The Group has continued to perform strongly. The Directors recognise the need for ongoing business development and feel that within the existing plans there is substantial potential for further growth over the next years with both the PSP and Acquiring business expected to grow during 2019/20 with the additional benefits of the new international solutions and the launch of the eWallet. The Directors shall continue to seek to add acquiring banks to the portfolio to ensure that the future growth continues to be supported and the widening of the product range and geographic reach will be pursued.

The Acquiring business will continue to grow as the strategy of adding additional PSP's and ISO's to its sourcing portfolio while also ensuring that the processing portfolios remain balanced and there is no single industry dependency.

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.

Principal Risks and Uncertainties

The Directors believe that the diversification through growing business in multiple geographies with multiple solutions 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. The direction in 2018/19 was to obtain appropriate licencing in the Netherlands. For a number of reasons this has been delayed and the Group has now applied for emoney and payment services permissions in Malta which it will passport across the EEA, excluding the UK. Associated membership of Visa and MasterCard in Malta has also been applied for. This entity and licence will not sit in the emerchantpay Limited Group but in the wider emerchantpay Group Limited Group and therefore once granted and operational somewhere in the region of 50% of the emerchantpay Limited Group's merchants, income and cost will be transferred out to the new licence. This is effectively all the non-UK domestic business.

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 on supporting emerchantpay's requirements. Many of the PSP's higher risk 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. This will be used for the low and high-risk merchants, primarily those sourced by the internal sales team.

By integrating the two 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 risks 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 in the last few years as unfortunately commonly experienced by other PSP's and e-commerce merchants. 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 \$324,913 (2018 \$1,100,033) for merchant credit write-off.

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 to breaching its merchant contracts exposing it to legal, financial and reputational consequences.

To mitigate this emerchantpay's designated bank accounts are monitored and reviewed daily and formally reconciled on a monthly basis ensuring that any rejected or unexpected payments are identified and corrected as soon as possible. The funds received daily from card schemes are also reconciled to scheme settlement reports to ensure that the appropriate levels 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

Date: 3 December 2019

Directors' report

For the year ended 31 August 2019

The directors present their report and the financial statements for the year ended 31 August 2019.

Results and dividends

The profit for the year, after taxation, amounted to \$7,177,806 (2018: \$6,702,795). There were no dividends declared or paid in the year under review (2018: \$NIL).

Directors

The directors who served during the year were:

J Reynisson

S R Dickson

A R Goslar

Future developments

The directors expect the group to continue to develop profitably as the current business lines continue to grow and new lines come on stream.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Indemnity provision

The ultimate parent company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Post balance sheet events

There have been no significant events affecting the group since the year end.

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 easiest.

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



S Dickson

Director

Directors' responsibility statement

For the year ended 31 August 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



S Dickson

Director

Independent auditors report to the members of emerchantpay Limited

Opinion

We have audited the financial statements of emerchantpay Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 August 2019 which comprise 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, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). 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 and Parent Company's affairs as at 31 August 2019 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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 Parent 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 Parent Company and the Parent 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 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.

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 one to seven 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:

- proper accounting records have not been kept by the Parent Company; or
- the Parent Company financial statements are not in agreement with the accounting records; or
- we have not received proper returns adequate for our audit from branches not visited by us; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRSs, 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 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.

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

For and on behalf of

Grant Thornton UK LLP

Chartered Accountants

London

3/12/19.

Consolidated statement of profit or loss

For the year ended 31 August 2019

	Notes	2019	2018
		\$	\$
Revenue	7	76,256,385	82,021,187
Other Income		747,470	469,233
Direct expenses		(38,795,517)	(46,103,944)
Employee benefits expenses	8	(1,233,650)	(674,381)
Amortisation of non-financial assets	9	(23,674)	(25,189)
Other expenses		(28,811,579)	(27,417,124)
Operating profit	9	8,139,435	8,269,782
Finance costs	10	(34,664)	(12,748)
Finance income	10	191,189	88,949
Profit before tax		8,295,960	8,345,983
Tax expense	11	(1,118,154)	(1,643,188)
Profit for the year		7,177,806	6,702,795

All amounts relate to continuing operations.

The notes on pages 18 to 54 form part of these financial statements.

Consolidated statement of Comprehensive Income

For the year ended 31 August 2019

		2019	2018
		\$	\$
Profit for the year		7,177,806	6,702,795
Other Comprehensive Income:			
Items that can be reclassified subsequently to profit or loss			
Fair value through other comprehensive income financial asset gains	13	883,737	1,055,618
Income tax relating to items that will be reclassified	14	(150,235)	(179,455)
Other comprehensive income for the year, net of tax		733,502	876,163
Total comprehensive income for the year		7,911,308	7,578,958

The notes on pages 18 to 54 form part of these financial statements.

Consolidated statement of financial position

As at 31 August 2019

	Notes	2019	2018
		\$	\$
Assets			
Non-current			
Intangible assets	12	14,344	18,892
Other long-term financial assets	13	17,652,964	15,873,501
Non-current assets		17,667,308	15,892,393
Current			
Inventories	15	359,765	154,684
Trade and other receivables	16	37,242,484	25,934,760
Cash and cash equivalents	17	15,521,498	14,521,687
Current assets		53,123,747	40,611,131
Total assets		70,791,055	56,203,524

Consolidated statement of financial position (continued)

As at 31 August 2019

	Notes	2019	2018
		\$	\$
Equity and liabilities			
Equity			
Share capital	18	2	2
Retained earnings		43,452,034	36,274,228
Other components of equity		2,074,254	1,340,752
Total equity		45,526,290	37,614,982
Liabilities			
Non-current			
Deferred tax liabilities	14	770,691	621,229
Non-current liabilities		770,691	621,229
Current			
Pension and other employee obligation	19	194,466	198,495
Trade and other payables	20	24,160,883	17,063,077
Current tax liabilities		138,725	1,005,741
Current liabilities		24,494,074	18,267,313
Total liabilities		25,264,765	18,888,542
Total equity and liabilities		70,791,055	56,503,524

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 December 2019


S R Dickson
Director

The notes on pages 18 to 54 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2019

	Share capital	Retained earnings	Other components of equity	Total equity
	\$	\$	\$	\$
Balance at 1 September 2017	2	29,571,433	464,589	30,036,024
Profit for the year	-	6,702,795	-	6,702,795
Other Comprehensive Income	-	-	876,163	876,163
Balance at 31 August 2018 and 1 September 2018	2	36,274,228	1,340,752	37,614,982
Profit for the year	-	7,177,806	-	7,177,806
Other Comprehensive Income	-	-	733,502	733,502
Balance at 31 August 2019	2	43,452,034	2,074,254	45,526,290

The notes on pages 18 to 54 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 August 2019

	Notes	2019	2018
		\$	\$
Operating activities			
Profit before tax		8,295,960	8,345,983
Non-cash flow adjustments	22	581,959	308,265
Net changes in working capital	22	(4,349,611)	683,160
Taxes paid		(1,985,945)	(1,317,281)
Net cash from operating activities		2,542,363	8,020,127
Investing activities			
Purchase of other intangible assets	12	(19,126)	-
Purchase of other long term financial assets	13	(1,434,407)	(2,030,339)
Interest received		143,386	66,120
Dividends received	10	23,888	19,515
Net cash used in investing activities		(1,286,259)	(1,944,704)
Financing activities			
Interest paid	10	(34,664)	(12,748)
Net cash used in financing activities		(34,664)	(12,748)
Net change in cash and cash equivalents		1,221,440	6,062,675
Cash and cash equivalents, beginning of year	17	14,521,687	8,519,836
Exchange differences on cash and cash equivalents		(221,629)	(60,824)
Cash and cash equivalents, end of year	17	15,521,498	14,521,687

The notes on pages 18 to 54 form part of these financial statements.

Notes to the financial Statements

For the year ended 31 August 2019

1 Nature of operations

The principal activities of the Group are 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 and going concern assumption

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 2019 (including comparatives) were approved and authorised for issue by the board of directors on 3 December 2019.

In 2019 the Group has adopted new guidance for the recognition from contracts with customers (see Note 4.1 below). This guidance was applied using a modified retrospective ("cumulative catch-up") approach under which changes having a material effect on the consolidated statement of financial position as at 1 September 2018 are presented together as a single adjustment to the opening balance of retained earnings. Accordingly, the Group is not required to present a third statement of financial position as at that date.

Further, The Group has adopted new guidance for accounting for financial instruments (see note 4.1 below). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

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 Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in 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 Group's financial statements.

Notes to the financial Statements

For the year ended 31 August 2019

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 16, 'Leases', effective date 1 January 2019.

The above standard is yet to be subject to a detailed review. 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 16 until a detailed review has been completed.

4 New and revised standards or Interpretations

4.1 New Standards adopted as at 1 September 2018

This note explains the impact of the adoption of IFRS 15 and IFRS 9 on the group's financial statements

IFRS 15 "Revenue from Contracts with Customers"

From 1 January 2018 IFRS 15 "Revenue from contracts with customers" – replaces IAS18, "Revenues

The Group adopted IFRS15, effective 1 September 2018, using the modified retrospective method, applying the standard to contracts that are not complete as of the date of the initial application.

Therefore, the comparative information has not been adjusted and continues to be reported under IAS18. The adoption of IFRS 15 did not have a material impact on any line items of the Group's income statement and balance sheet

Since the majority of the Group's revenue relates to payment processing services for its customers, the Group's core performance obligation is to provide continuous access to the Group's systems to process as much as its customers require. The Groups payment processing services are supplied to customers as distinct days of service that are substantially the same with the same pattern of transfer to the customer. The Group's revenue from products and services is recognised at a point in time or over time depending on the products or services with the majority of the revenue recognised at a point in time.

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact of the timing or account of revenue recognised by the Group in any year.

Periods prior to 1 September 2018

In periods prior to 1 September 2018 revenue arose from the rendering of services. It was measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. The Group generated revenues from fees earned for 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 was recognised as revenue at the point at which the online transaction was executed.

Notes to the financial Statements

For the year ended 31 August 2019

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Group's financial assets. Management holds financial assets to hold and collect the associated cash flows. The card scheme and acquirer deposits previously classified as loans and receivables under IAS 39 are now measured at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS9, refer to note 5.9
- investments in listed equity securities previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through Other Comprehensive Income as the cash flows are not solely payments of principal and interest (SPPI)

The Group has elected to irrevocably designate any of the equity investments at fair value with changes presented in other comprehensive income

- the impairment of financial assets applying the expected credit loss model. This affects the Group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 9 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to Note 5.9.

Notes to the financial Statements

For the year ended 31 August 2019

On the date on initial application, 1 September 2018, the financial instruments of the Group were reclassified as follows:

Measurement category			Carrying amount	
	Original IAS 39 category	New IFRS9 category	Closing balance 31 August 2018 (IAS 39)	Adoption IFRS9 Opening balance 1 September 2018 (IFRS 9)
Non-current financial assets				
Other long-term financial assets				
Security deposits	Loans and receivables	Amortised cost	11,366,012	11,366,012
Listed Equity Investments	Available for sale	FVTOCI	3,657,489	3,657,489
Other Investments	FVTPL	Amortised cost	850,000	850,000
			15,873,501	15,873,501
Current Financial Assets				
Trade and other receivables	Loans and receivables	Amortised cost	8,327,976	8,327,976
Cash and cash equivalents	Loans and receivables	Amortised cost	14,521,687	14,521,687
			22,849,663	22,849,663
Total financial asset balances			38,723,164	38,723,164

Notes to the financial Statements

For the year ended 31 August 2019

Reconciliation statement of financial position from IAS39 to IFRS 9 at 1 September 2018.

	IAS 39 carrying amount 31 August 2018	Reclassification	Remeasurement	IFRS 9 carrying amount 1 September 2018	Retained earnings effect
Fair value through profit or loss					
FVTPL in IAS 39	850,000	(850,000)	-	-	-
Fair value through other comprehensive income					
From available for sale		3,657,489	-	3,657,489	-
Available for sale financial assets	3,657,489	(3,657,489)	-	-	-
Amortised cost (including loans and receivables in IAS39)	34,215,675	850,000	-	35,065,675	-
Total financial assets balances, reclassification and remeasurement at 1 September 2018	38,723,164	-	-	38,723,164	-

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Available for sale financial assets included equity investments. These are now classified at fair value through Other Comprehensive Income in IFRS 9. The group used this designation which is available for equity investments in IFRS9. There has been no change in the carrying amount of equity investments at 1 September 2018 following the adoption of IFRS 9 as the equity investments were previously stated at fair value.

Notes to the financial Statements

For the year ended 31 August 2019

5 Summary of accounting policies

5.1 Overall considerations

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

5.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 August 2019. 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.

5.3 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.

5.4 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.

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.

Notes to the financial Statements

For the year ended 31 August 2019

Foreign operations

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

5.5 Revenue

Revenue is recognised when a customer obtains control of promised services or goods. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled to receive in exchange for these services. The Group has contractual agreements with its customers that set forth the general terms and conditions of the relationship including the line item pricing, payment terms and contract duration. Revenue is recognised when the obligation under the terms of the Group's contract with its customer is satisfied. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The Group generates revenues primarily by processing electronic payment transactions.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group sometimes enters into transactions involving a range of the Group's products and services, for example for the delivery of point of sale card terminal hardware, software and related payment services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Group has three main types of contracts with customers:-

- 1 Contracts with customers to provide Payment Services
- 2 Contracts with customers to provide Acquiring Services
- 3 Contracts with customers to provide a Payment Terminal, airtime and other services

Over 99% of the Group's revenue is derived from the first two types of contracts, so any revenue derived from the third type of contract is not considered material in determining when revenue should be recognised under IFRS 15.

Notes to the financial Statements

For the year ended 31 August 2019

Contracts with customers to provide Payment Services

Revenue from contracts with customers to provide Payment Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Group's performance as the Group performs. The service provided is carried out on a continuous basis. The group's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Group followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Payment Services revenue is reported on a net basis as the Group acts as an agent in the transaction.

Contracts with customers to provide Acquiring Services

Revenue from contracts with customers to provide Acquiring Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Group's performance as the Group performs. The service provided is carried out on a continuous basis. The group's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Group followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Acquiring Services revenue is reported on a gross basis as the Group acts as a principal in the transaction.

Notes to the financial Statements

For the year ended 31 August 2019

5.6 Operating expenses

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

5.7 Intangible assets

Recognition of intangible assets

Acquired software

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 5.8 The following useful lives are applied:

- Software: 3-5 years

Assets under construction are amortised from the point at which they are brought into use.

5.8 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.

Intangible assets which are not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets or cash generating units which are being amortised 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.

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For the year ended 31 August 2019

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Financial instruments

Recognition, initial measurement and de-recognition

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

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 initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash

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For the year ended 31 August 2019

equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

The category also contains equity investments. The Group accounts for the investments at FVOCI and made the irrevocable election to account for the investment listed equity securities at fair value through other comprehensive income (FVOCI)..

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

AFS financial assets were non-derivative financial assets that were either designated to this category or did not qualify for inclusion in any of the other categories of financial assets) FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets included both listed and unlisted securities.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the other components reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which were recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss

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event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which were determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 25.4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and subsequent measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. 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.

Notes to the financial Statements

For the year ended 31 August 2019

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.

5.10 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.

5.11 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.

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5.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in 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.

5.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other Components of Equity comprises the gains on revaluation of listed equity investments.

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

5.14 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.

Notes to the financial Statements

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5.15 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 the 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.

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Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Impairment of Intangible assets

Intangible assets include acquired software licenses and assets under construction. These costs are assessed based on management's view of the internal and external development costs relating to time spent on projects that enhance the assets, supporting by internal time recording and considering the requirements of IAS 38 'Intangible assets'. The costs are amortised over the useful life of the asset. The useful life is based on management's estimate of the period that the asset will generate revenue, which is reviewed annually for continued appropriateness. The carrying value of acquired software licenses is tested for impairment when there is an indication the assets might be impaired. The carrying value of assets under construction is tested annually for impairment. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change which could have an adverse effect on the future results of the group. An impairment review of the asset under construction was performed by management through a discounted cash flow covering 5 years, this calculation requires estimated by management including management's expectations of future growth in revenue, profit margins, cash flows and discount rates. It was concluded that no impairment is required.

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 26).

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.

Notes to the financial Statements

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Where there are a number of similar 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 the 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.

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6 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 of incorporation and principal place of business	Percentage Shareholding	Principal activity
EMPPay Limited	United Kingdom	100%	Provides payment solutions to small merchants
erchantpay Netherlands BV	Netherlands	100%	Dormant
Prime Pay Isle of Man Limited	Isle of Man	100%	Applying for financial services Class 8 (2)(a)and(4)
Bolam Ltd	Kenya	100%	Payment services in local geography
Prime Pay KK	Japan	100%	Payment services in local geography
erchantpay Mauritius Limited	Mauritius	100%	Licensed payment services provider
Net Prime Limited	Hong Kong	100%	Dormant
INSONline Ltd	Hong Kong	100%	Dormant
Emerchantpay do Brazil – Cobrancas LTDA.	Brazil	100%	Payment services in local geography

Notes to the financial Statements

For the year ended 31 August 2019

7 Revenue

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2019	2018
	\$	\$
Goods and services transferred at a point in time	76,127,451	82,010,131
Goods and services transferred over time	128,934	11,056
	76,256,385	82,021,187

8 Employee remuneration

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

	2019	2018
	No.	No.
	6	4

Directors Remuneration is paid by another group company

All employees are in administration

Expenses recognised for employee benefits are analysed below:

	2019	2018
	\$	\$
Non-executive directors' fees	39,040	55,360
Sums paid to third parties for employee services	1,194,610	619,021
	1,233,650	674,381

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For the year ended 31 August 2019

9 Operating profit

Operating profit is stated after charging:

	2019	2018
	\$	\$
Amortisation of intangible assets	23,674	25,189
Foreign exchange differences	749,605	614,994
Auditors remuneration		
for group audit services	139,916	134,037
for non-audit services	7,391	15,025
for accounts preparation	3,549	3,111

Non audit services relate to the provision of corporate tax compliance.

10 Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	2019	2018
	\$	\$
Bank interest	2,996	11,729
Other interest	31,668	1,019
	34,664	12,748

Finance income for the reporting periods consists of the following:

	2019	2018
	\$	\$
Interest on bank deposits	174,797	85,528
Interest on security deposits	(7,496)	(21,990)
Other Interest	-	5,896
Dividends received	23,888	19,515
	191,189	88,949

Notes to the financial Statements

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11 Tax expense

The major components of tax expense and the reconciliation of the expected tax expense on the domestic effective tax rate of emerchantpay Ltd at 19% (2018: 19%) and the reported tax expense in profit or loss are as follows:

	2019	2018
	\$	\$
Profit before tax	8,295,960	8,345,983
Domestic tax rate for emerchantpay Limited	19%	19%
Expected tax expense	1,576,233	1,585,737
Expenses not deductible for tax purposes	45,205	4,784
Adjustments to tax charge in respect of prior periods		57,584
Group relief claimed	(501,512)	
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	(144)	24,293
Current tax (current period) exchange differences arising on movement between opening and closing spot rates	(4,441)	(31,777)
Non-taxable income	(4,538)	(3,708)
Adjustment to brought forward balances	167,910	200,567
Deferred tax not recognised	(150,235)	(179,455)
Adjust closing deferred tax to average rate of 19%	(90,670)	(73,086)
Adjust opening deferred tax to average rate of 19%	73,086	52,477
Tax suffered on foreign dividend and interest	7,260	5,772
Actual tax expense	1,118,154	1,643,188
	\$	\$
Current tax expense		
Current tax on profits for the year	1,118,927	1,565,594
Adjustment in respect of previous year		81,876
Current tax expense	1,118,927	1,647,470
Deferred tax expense		
Origination and reversal of temporary differences	(773)	(4,282)
Deferred tax expense	(773)	(4,282)
Total tax expense	1,118,154	1,643,188

Notes to the financial Statements

For the year ended 31 August 2019

12 Intangible assets

	Acquired software licences
	\$
Gross carrying amount	
At September 2018	75,568
Additions	19,126
At 31 August 2019	94,694
Amortisation and impairment	
At 1 September 2018	56,676
Amortisation	23,674
At 31 August 2019	80,350
Carrying amount	
At 31 August 2019	14,344
At 31 August 2018	18,892
All amortisation and impairment charges are included within amortisation of non-financial assets	
	Acquired software licences
	\$
Gross carrying amount	
At 1 September 2017	75,568
Additions	
At 31 August 2018	75,568
Amortisation and impairment	
At 1 September 2017	31,487
Amortisation	25,189
At 31 August 2018	56,676
Carrying amount	
At 31 August 2018	18,892
At 31 August 2017	44,081
All amortisation and impairment charges are included within amortisation and impairment of non-financial assets.	

Notes to the financial Statements

For the year ended 31 August 2019

13 Other long-term financial assets

	Listed equity investments	Other Investments	Security deposits	Total
	\$	\$	\$	\$
Cost or valuation				
At 1 September 2018	3,657,489	850,000	11,366,012	15,873,501
Additions	1,000,000	434,407	-	1,434,407
Disposals	-	-	-	-
Foreign exchange movement	-	(9,542)	(521,283)	(530,825)
Interest on security deposits	-	-	(7,856)	(7,856)
Revaluation of listed investments	883,737	-	-	883,737
At 31 August 2019	5,541,226	1,274,865	10,836,873	17,652,964
Net book value				
At 31 August 2019	5,541,226	1,274,865	10,836,873	17,652,964
At 31 August 2018	3,657,489	850,000	11,366,012	15,873,501

	Listed equity investments	Other Investments	Security deposits	Total
	\$	\$	\$	\$
Cost or valuation				
At 1 September 2017	2,601,871	1,325,000	9,159,125	13,085,996
Additions	-	-	2,505,339	2,505,339
Disposals	-	(475,000)	-	(475,000)
Foreign exchange movement	-	-	(274,583)	(274,583)
Interest on security deposits	-	-	(23,869)	(23,869)
Revaluation of listed investments	1,055,618	-	-	1,055,618
At 31 August 2018	3,657,489	850,000	11,366,012	15,873,501
Net book value				
At 31 August 2018	3,657,489	850,000	11,366,012	15,873,501
At 31 August 2017	2,061,871	1,325,000	9,159,125	13,085,996

Notes to the financial Statements

For the year ended 31 August 2019

Other investments represent long-term bank deposits.

The details and carrying amounts of listed and listed equity investments are as follows:-

	2019	2018
	\$	\$
Listed securities	5,541,226	3,657,489
Total listed equity investments at fair value	5,541,226	3,657,489

Listed securities

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 2016.

During the year a gain of \$838,237 (2018: \$1,055,618) was recognised in other comprehensive income as a result of the change in fair value.

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

During the year the Group invested \$1m in a portfolio of equity investments which is managed on behalf of the Group by an investment management company. During the year a gain of \$45,500 was recognised in other comprehensive income as a result of the change in fair value.

14 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:

Deferred tax liabilities	1 September 2018	Recognised in profit or loss	Recognised in other comprehensive income	31 August 2019
	\$	\$	\$	\$
Non-current liabilities /relating to:				
Accelerated capital allowances	(3,212)	773	-	(2,439)
Short term temporary differences	(270,086)	-	-	(270,086)
Capital gains	(347,931)	-	(150,235)	(498,166)
	(621,229)	773	(150,235)	(770,691)

The amounts recognised in other comprehensive income relate to revaluation of listed investments.

Notes to the financial Statements

For the year ended 31 August 2019

15 Inventories

Inventories consist of the following:

	2019	2018
	\$	\$
Merchandise	359,765	154,684

In the year ended 31 August 2019, a total of \$57,306 (2018: \$17,454) of inventories was included in profit or loss as an expense.

16 Trade and other receivables

Trade and other receivables consist of the following:

	2019	2018
	\$	\$
Trade receivables	6,046,352	8,327,976
Financial assets	6,046,352	8,327,976
Amounts owed by related parties	29,728,723	15,686,966
Other debtors	33,891	361,350
Deposit paid to VAT Tribunal	873,915	931,697
Prepayments	559,603	626,771
Non-financial assets	31,196,132	17,606,784
	37,242,484	25,934,760

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 2019

17 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2019	2018
	\$	\$
Cash at bank and in hand:		
USD	11,420,574	9,229,449
GBP	816,174	548,260
EUR	819,448	1,277,943
Other currencies	5,356	44
Short-term deposits		
USD	2,350,000	3,350,000
EUR	109,946	115,991
	15,521,498	14,521,687

18 Share capital

The share capital of emerchantpay Limited consists only of fully paid ordinary shares with a nominal value of \$2. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of emerchantpay Limited.

	2019	2018
	\$	\$
Shares authorised, issued and fully paid:		
At beginning and end of year	2	2

19 Pensions and other employee obligations

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

	2019	2018
	\$	\$
Current		
Other short term employees obligations	194,466	198,495

Other short-term employee obligations arise from accrued holiday entitlement at the reporting date together with accrued bonuses and amounts due in respect of social security.

Notes to the financial Statements

For the year ended 31 August 2019

20 Trade and other payables

Trade and other payables consist of the following:

	2019	2018
	\$	\$
Current		
Trade payables	607,806	485,360
Amounts owed to related parties	191,498	534,092
Accruals and deferred income	23,361,579	16,043,625
	24,160,883	17,063,077

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.

21 Financial assets and liabilities

Categories of financial assets and financial liabilities

Note 5.9 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	FVTPL	FVTOCI	Amortised Cost	Total
2019		\$	\$	\$	\$
Financial assets					
Security deposits	13	-	-	10,836,873	10,836,873
Other investments	13	-	5,541,226	1,274,865	6,816,091
Other long-term financial assets		-	5,541,226	12,111,738	17,652,964
Trade and other receivables	16	-	-	6,046,352	6,046,352
Cash and cash equivalents	17	-	-	15,521,498	15,521,498
		-	5,541,226	33,679,588	39,220,814
				Amortised Cost	Total
2019				\$	\$
Financial liabilities					
Trade and other payables	20			24,160,883	24,160,883
				24,160,883	24,160,883

Notes to the financial Statements

For the year ended 31 August 2019

		FVTPL	FVTOCI	Amortised Cost	Total
2018		\$	\$	\$	\$
Financial assets					
Security Deposits	13	-	-	11,366,012	11,366,012
Other investments	13	-	3,657,489	850,000	4,507,489
Other long-term financial assets		-	3,657,489	12,216,012	15,873,501
Trade and other receivables	16	-	-	8,327,976	8,327,976
Cash and cash equivalents	17	-	-	14,521,687	14,521,687
		-	3,657,489	35,065,675	38,723,164
			Note	Amortised Cost	Total
2018				\$	\$
Financial liabilities					
Trade and other payables			20	17,063,077	17,063,077
				17,063,077	17,063,077

A description of the Group's financial instruments risk, including risk management objectives and policies is given in Note 25.

The methods used to measure financial assets reported at fair value are described in Note 28.

Notes to the financial Statements

For the year ended 31 August 2019

22 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	2019	2018
	\$	\$
Amortisation of non-financial assets	23,674	25,189
Foreign exchange losses	221,629	60,824
Exchange rate movement in Security deposits and investments	530,825	274,583
Interest income	(191,189)	(88,949)
Interest expense	34,664	12,748
Interest received on security deposits	7,856	23,870
Revaluation of equity investment portfolio	(45,500)	--
Total adjustments	581,959	308,265
Net changes in working capital	2019	2018
	\$	\$
(Increase) in inventories	(205,081)	(137,230)
(Increase)/Decrease in trade and other receivables	(11,238,307)	2,962,619
Increase/(Decrease) in trade and other payables	7,097,806	(2,230,724)
(Decrease)/Increase in other employee obligations	(4,029)	88,495
Total changes in working capital	(4,349,611)	683,160

Notes to the financial Statements

For the year ended 31 August 2019

23 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	Charge in respect of service received	Outstanding balance	Outstanding balance
	2019	2018	2019	2018
	\$	\$	\$	\$
emerchantpay Group Limited (UK)	2,989,243	1,619,756	3,937,501	1,255,523
emerchantpay Group Limited (Jersey)	-	2,298,167	-	-
emerchantpay UK Services Limited	5,620,283	3,481,445	15,191,682	8,488,638
emerchantpay OOD	18,284,356	17,986,415	2,492,269	426,949
emerchantpay International Limited	-	-	1,349,153	1,200,510
emerchantpay Corporations Inc.	-	-	3,755,240	3,443,774
Interconsult Group Holdings Limited	-	-	-	181,748
INSONline Limited	-	-	1,640,691	(190,669)
EMPPay Inc.	-	-	8,141	7,278
eMerchant Asia Inc.	-	-	200,000	-
EMP Holdings Limited	-	-	-	40,856
eZeewallet Limited	-	-	5,258	282,897
EMP Mideast FZ LLC	-	-	-	15,385
JLF Enterprises Limited	-	-	82,040	17,926
Prime Pay Call Centre Services LLC	-	-	535,921	222,315
emerchantpay (Hong Kong) Ltd	-	-	106,223	74,980
INSONline PVT India Limited	-	-	424,604	-
Bolam Services DWC LLC	-	-	(33,790)	28,188
emerchantpay Group Limited (BVI)	-	-	(157,708)	(343,423)

24 Controlling party

The directors consider that the immediate and ultimate parent undertaking of this group is emerchantpay Group Limited, a company incorporated in United Kingdom, 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 29 Howard Street, North Shields, Tyne & Wear, NE30 1AR.

The ultimate controlling party is Jonas Reynisson

Notes to the financial Statements

For the year ended 31 August 2019

25 Financial instruments risk

25.1 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 21. 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.

25.2 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.

25.3 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 2019			
Financial assets	3,017,984	2,321,707	247,541
Financial Liabilities	(1,448,202)	(1,591,040)	(19,552)
Total exposure	1,569,782	730,667	227,989
At 31 August 2018			
Financial assets	4,405,407	3,133,694	36,727
Financial Liabilities	(1,235,501)	(2,966,874)	(55,253)
Total exposure	3,169,906	166,820	(18,526)

Notes to the financial Statements

For the year ended 31 August 2019

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 +/- 5% change of the USD/EUR exchange rate for the year ended at 31 August 2019 (2018: 5%). A +/-5% change is considered for the USD/GBP exchange rate (2018: 5%). 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 5% (2018: 5%) and GBP by 5% (2018: 5%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR \$	GBP \$	Total \$	EUR \$	GBP \$	Total \$
31 August 2019	(78,489)	(36,533)	(115,022)	(78,489)	(36,533)	(115,022)
31 August 2018	(158,495)	(8,341)	(166,836)	(158,495)	(8,341)	(166,836)

If the USD had weakened against the EUR by 5% (2018: 5%) and GBP by 5% (2018: 5%) respectively then this would have had the following impact:

	Profit for the Year			Equity		
	EUR \$	GBP \$	Total \$	EUR \$	GBP \$	Total \$
31 August 2019	78,489	36,533	115,022	78,489	36,553	115,022
31 August 2018	158,495	8,341	166,836	158,495	8,341	166,836

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 2019

25.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from various financial assets including cash and cash equivalents held at banks, trade and other receivables and security deposits.

Credit risk management

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised below:

	2019	2018
	\$	\$
Classes of financial assets – carrying amounts:		
Cash and cash equivalents	15,521,498	14,521,687
Trade and other receivables	6,046,352	8,327,976
Security deposits	10,836,873	11,366,012
Other investments	1,127,865	850,000
	33,532,588	35,065,675

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The Group continuously monitors defaults of customers, merchants and other counterparties, identified either individually or by the Group, and incorporate 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:

	2019	2018
	\$	\$
Not more than 3 months	115,984	11,992
More than 3 months	182,701	28,084
Total	298,685	40,076

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.

Notes to the financial Statements

For the year ended 31 August 2019

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.

To mitigate this exposure merchantpay 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 \$324,913 (2018: \$1,100,033) 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.

25.5 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 (see Note 24) 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 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	2019 Current	
	Within 6 months	6 to 12 months
	\$	\$
Trade and other payables	24,160,883	-

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

Notes to the financial Statements

For the year ended 31 August 2019

	2018 Current	
	Within 6 months	6 to 12 months
	\$	\$
Trade and other payables	17,063,077	

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

26 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: quoted 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 levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 August 2019 and 31 August 2018. There are no financial liabilities measured at fair value.

31 August 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Listed Securities	5,541,226	-	-	5,541,226
Security Deposits	10,836,783	-	-	10,836,783
Other Investments	1,274,865	-	-	1,274,865
	17,652,874			17,652,874
Net Fair Value	17,652,874			17,652,874

31 August 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Listed Securities	3,657,489	-	-	3,657,489
Security Deposits	11,366,012	-	-	11,366,012
Other Investments	850,000	-	-	850,000
	15,873,501			15,873,501
Net Fair Value	15,873,501			15,873,501

Notes to the financial Statements

For the year ended 31 August 2019

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third party valuation specialists for complex valuations where necessary. Valuation techniques are selected based on the characteristics of each instrument with the overall objective of maximising the use of market-based information and other available financial data. The finance team reports directly to the chief financial officer and to the management board. Valuation processes and fair value changes are discussed among the management board and the valuation team at least every year, in line with the group's reporting dates.

27 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:

	2019	2018
	\$	\$
Total equity	45,526,290	37,614,982
Cash and cash equivalents	(15,521,498)	(14,521,687)
Capital	30,004,792	23,093,295
Total equity	45,526,290	37,614,682
Overall financing	45,526,290	37,614,982
Capital-to-overall financing ratio	0.66	0.61

Notes to the financial Statements

For the year ended 31 August 2019

28 Contingent liability

Total contingent liabilities at 31 August 2019 amounted to \$3.59m (2018: \$3.29m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met. During the previous year the Group paid a \$0.87m deposit into the VAT Tribunal to facilitate the progression of the appeal and this amount is disclosed in Trade and other receivables in the financial statements.

29 Authorisation of financial statements

The consolidated financial statements for the year ended 31 August 2019 (including comparatives) were approved by the board of directors on 3 December 2019



S R Dickson
Director

Company balance sheet

As at 31 August 2019

	Notes	2019	2018
Fixed Assets		\$	\$
Intangible assets	12	14,344	18,892
Investments	31	17,654,327	15,873,505
		17,668,671	15,892,397
Current assets			
Inventories		359,765	154,684
Debtors	32	37,429,597	26,023,472
Cash at Bank		15,200,147	14,236,701
		52,989,509	40,414,857
Creditors: amounts falling due within one year	33	(24,467,138)	(18,362,677)
Net current assets		28,522,371	22, 052,180
Total assets less current liabilities		46,191,042	37,944,577
Provision for liabilities	34	(770,691)	(621,229)
Net assets		45,420,351	37,323,348
Capital and Reserves			
Called up share capital		2	2
Profit and loss account		43,346,095	35,982,594
Other reserves		2,074,254	1,340,752
Shareholders' funds		45,420,351	37,323,348

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 December 2019


S. R. Dickson

Director

The notes on pages 57 to 67 form part of these financial statements.

emerchantpay Limited (the 'Company') has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive income in the financial statements. The company profit for the year ended 31 August 2019 is \$7,363,501(2018: \$6,673,468).

Company statement of changes in equity

For the year ended 31 August 2019

	Share capital	Retained earnings	Other components of equity	Total equity
	\$	\$	\$	\$
Balance at 1 September 2017	2	29,309,126	464,589	29,773,717
Profit for the year	-	6,673,468	-	6,673,468
Other Comprehensive Income	-	-	876,163	876,163
Balance at 31 August 2018 and 1 September 2018	2	35,982,594	1,340,752	37,323,348
Profit for the year	-	7,363,501	-	7,363,501
Other Comprehensive Income	-	-	733,502	733,502
Balance at 31 August 2019	2	43,346,095	2,074,254	45,420,351

The notes on pages 57 to 67 form part of these financial statements.

Notes to the financial Statements

For the year ended 31 August 2019

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.

emerchantpay Group Limited (the 'Company') has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive income in the financial statements. The Company profit for the year ended 31 August 2019 is \$7,363,501 (2018: \$6,673,468).

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 directors' 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.

Notes to the financial Statements

For the year ended 31 August 2019

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.

30.6 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;
- 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;

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For the year ended 31 August 2019

- 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.

30.7 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, 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 Company is USD and has remained unchanged during the reporting period.

30.8 Revenue

Revenue is recognised when a customer obtains control of promised services or goods. The amount of revenue recognised reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. The Company has contractual agreements with its customers that set forth the general terms and conditions of the relationship including the line item pricing, payment terms and contract duration. Revenue is recognised when the obligation under the terms of the Company's contract with its customer is satisfied. Revenue is measured as the amount of consideration the group expects to receive in exchange for transferring goods or providing services. The Company generates revenues primarily by processing electronic payment transactions.

To determine whether to recognise revenue, the Company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Company sometimes enters into transactions involving a range of the Company's products and services, for example for the delivery of point of sale card terminal hardware, software and related payment services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Notes to the financial Statements

For the year ended 31 August 2019

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The Company has three main types of contracts with customers:

- 1 Contracts with customers to provide Payment Services
- 2 Contracts with customers to provide Acquiring Services
- 3 Contracts with customers to provide a Payment Terminal, airtime and other services

Over 99% of the Company's revenue is derived from the first two types of contracts, so any revenue derived from the third type of contract is not considered material in determining when revenue should be recognised under IFRS 15.

Contracts with customers to provide Payment Services

Revenue from contracts with customers to provide Payment Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Company's performance as the Company performs. The service provided is carried out on a continuous basis. The Company's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Company followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Payment Services revenue is reported on a net basis as the Company acts as an agent in the transaction.

Contracts with customers to provide Acquiring Services

Revenue from contracts with customers to provide Acquiring Services is recognised when the services are provided to the customer at a point in time as the customer simultaneously receives and consumes the benefits of the Company's performance as the Company performs. The service provided is carried out on a continuous basis. The Company's performance obligations are a bundle of services which are set out in the contracts with the customer. Revenues are billed to the customer in the month in which the services are performed and transaction price is determined with reference to the schedule of prices set out in the contracts with customers. The significant judgements used in determining revenue are set out in note 5.15. The Company followed the guidance provided in IFRS15 B35-B37, Principal versus agent considerations, which states that the determination of whether a company should recognise revenue based on the gross amount billed to a customer or the net amount retained is a matter of judgement that depends on the facts and the circumstances of the arrangement and that certain factors should be considered in the evaluation. With regards to contracts with customers to provide Acquiring Services revenue is reported on a gross basis as the Company acts as a principal in the transaction.

Notes to the financial Statements

For the year ended 31 August 2019

30.9 Operating expenses

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

30.10 Financial instruments Recognition, initial measurement and de-recognition

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

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 initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

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For the year ended 31 August 2019

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

The category also contains equity investments. The Company accounts for the investments at FVOCI and made the irrevocable election to account for the investment listed equity securities at fair value through other comprehensive income (FVOCI).

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

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 (FVTPL or held to maturity and loans and receivables). The Company's AFS financial assets include both listed and unlisted securities.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the other components reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk

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and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were 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 was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 25.4 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and subsequent measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9.

The Company'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.

Notes to the financial Statements

For the year ended 31 August 2019

30.11 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.

30.12 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 Company 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 Company'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 Company 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.

30.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in 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.

30.14 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other Components of Equity comprises the gains on revaluation of listed equity investments, retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

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30.15 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 Company expects to pay as a result of the unused entitlement.

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For the year ended 31 August 2019

31 Fixed asset investments

	Listed Investments	Investments in subsidiary companies	Other long- term financial assets	Security deposits	Total
	\$	\$	\$	\$	\$
Cost or Valuation					
At 1 September 2018	3,657,489	4	850,000	11,366,012	15,873,505
Additions	1,000,000	1,359	434,407	-	1,435,766
Disposals	-	-	-	-	-
Foreign exchange movement	-	-	(9,542)	(521,283)	(530,825)
Negative interest on security deposits	-	-	-	(7,856)	(7,856)
Revaluation of listed investments	883,737	-	-	-	883,737
At 31 August 2019	5,541,226	1,363	1,274,865	10,836,873	17,654,327
Net book value					
At 31 August 2019	5,541,226	1,363	1,274,865	10,836,873	17,654,327
At 31 August 2018	3,657,489	4	850,000	11,366,012	15,873,505

Please see Note 6 for details of the Company's subsidiary undertakings.

32 Debtors

	2019	2018
	\$	\$
Trade debtors	6,046,110	8,327,931
Amounts owed by related parties	29,924,718	15,737,999
Deposit paid to VAT Tribunal	873,915	931,697
Other debtors	584,854	1,025,845
	37,429,597	26,023,472

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33 Creditors: Amount falling due within one year

	2019	2018
	\$	\$
Trade creditors	592,955	485,359
Amounts owed by related parties	359,570	762,145
Tax payable	136,017	997,572
Other creditors	1,144,276	1,887,620
Accruals and deferred income	22,234,320	14,229,981
	24,467,138	18,362,677

34 Deferred tax

	2019	2018
	\$	\$
At the beginning of the year	(621,229)	(446,056)
Charge in year	(149,462)	(175,173)
At end of year	(770,691)	(621,229)

The deferred tax balance is made up as follows:

	2019	2018
	\$	\$
Accelerated capital allowances	(2439)	(3,212)
Short term temporary differences	(270,086)	(270,086)
Capital gains	(498,166)	(347,931)
	(770,691)	(621,229)

35 Contingent liability

Total contingent liabilities at 31 August 2019 amounted to \$3.59m (2018: \$3.29m) pertaining to a potential VAT liability for which the criteria for recognising a provision were not met. During the previous year the Company paid a \$0.87m deposit into the VAT Tribunal to facilitate the progression of the appeal and this amount is disclosed in trade and other receivables in the financial statement.