Financial Statements
PSI - Pay Limited

For the year ended 31 December 2011

Registered number: 05899168

Company Information

Directors	Mr P J Davies (appointed 7 June 2011) Mr A R Davis Mr J J Daw Mr P A Templeman (resigned 7 June 2011)
Company secretary	Mr J J Daw
Company number	05899168
Registered office	First Point Buckingham Gate Gatwick Airport Gatwick West Sussex RH6 0NT
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Fleming Way Manor Royal Crawley RH10 9GT
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP

Contents

	Page
Directors' report	1 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 18

Directors' Report
For the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the company is that of an e-money issuer regulated by the Financial Services Authority (Registration No 481195) and this regulatory status has been passported to include all EEA states

The company is a Principal Member of MasterCard and has also applied for membership of Visa Europe

It is anticipated that the company will continue to operate its core business in the same way over the forthcoming year

Business review

Turnover decreased in 2011 by 4% from £1,953,251 to £1,871,495 and gross profit by 28% from £1,443,640 to £1,039,872

Results

The profit for the year, after taxation, amounted to £2,894 (2010 - £478,889)

Directors

The directors who served during the year were

Mr A R Davis
Mr J J Daw
Mr P J Davies (appointed 7 June 2011)
Mr P A Templeman (resigned 7 June 2011)

Financial risk management

The company uses financial instruments comprising cash and various other items such as trade debtors and creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations The main risks arising from the company's financial instruments are foreign currency risk, liquidity risk, credit risk, fraud risk and regulatory risk The directors review and agree policies for managing each of these risks and they are summarised below

Foreign currency risk
The company issues e-money in a number of different currencies and this may result in significant foreign exchange exposures which may or may not by reduced through the use of hedging techniques Foreign currency risk is monitored on a daily basis to ensure that potential exposure is kept within the FSA requirement for e-money issuers

Directors' Report
For the year ended 31 December 2011

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest any cash assets safely and profitably The company is financed entirely through equity and does not have any external debt At 31 December 2011 the company had a positive net cash balance

Credit risk
The company extends a small amount of credit for a very short period of time to its customers in certain circumstances This carries a credit risk which the company monitors on a regular basis and takes appropriate action where necessary to mitigate losses

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

Regulatory risk
There can be no assurance that the regulatory bodies providing licences to the company, namely the Financial Services Authority and MasterCard Europe, will not change their licencing requirements, including the terms and conditions to which the licences and approvals currently held by the company are subject If a regulatory scheme under which the company operates were to changes its licencing requirements, the company may be required to expend significant capital or other resources to comply with the new requirements and/or may not be able to meet the new requirements, either or a combination of which could have a material adverse effect on the company's business, financial condition and results of operations

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

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

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

Directors' Report

For the year ended 31 December 2011

Technology risk

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

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

Directors' responsibilities statement

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

Provision of information to auditor

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

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

Directors' Report
For the year ended 31 December 2011

Auditor

Grant Thornton UK LLP were appointed auditor on 23 April 2012 to fill a casual vacancy in accordance with section 485(3) of the Companies Act 2006 In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the Annual General Meeting

This report was approved by the board on 26 September 2012 and signed on its behalf

Director

GrantThornton

Independent Auditor's Report to the Members of PSI - Pay Limited

We have audited the financial statements of PSI - Pay Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditor's Report to the Members of PSI - Pay Limited

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Eleanor Walsh (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Gatwick
Date 26 September 2012

Profit and Loss Account
For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	**1,871,495**	1,953,251
Cost of sales		**(831,623)**	(509,611)
Gross profit		**1,039,872**	1,443,640
Administrative expenses		**(1,030,311)**	(1,060,158)
Operating profit	3	**9,561**	383,482
Interest receivable and similar income		**-**	218
Profit on ordinary activities before taxation		**9,561**	383,700
Tax on profit on ordinary activities	6	**(6,667)**	95,189
Profit for the financial year	12	**2,894**	478,889

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 10 to 18 form part of these financial statements

PSI - Pay Limited
Registered number: 05899168

Balance Sheet
As at 31 December 2011

	Note		2011		2010
		£	£	£	£
Fixed assets					
Tangible assets	7		**3,128**		10,653
Current assets					
Debtors	8	**2,235,371**		2,153,523	
Cash at bank		**1,128,858**		946,333	
		3,364,229		3,099,856	
Creditors: amounts falling due within one year	9	**(973,979)**		(720,025)	
Net current assets			**2,390,250**		2,379,831
Total assets less current liabilities			**2,393,378**		2,390,484
Capital and reserves					
Called up share capital	11		**2,700,003**		2,700,003
Profit and loss account	12		**(306,625)**		(309,519)
Shareholders' funds	13		**2,393,378**		2,390,484

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
26 September 2012

Director

The notes on pages 10 to 18 form part of these financial statements

Cash Flow Statement
For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	14	**171,121**	(700,196)
Returns on investments and servicing of finance	15	**-**	218
Taxation		**15,923**	95,189
Capital expenditure and financial investment	15	**(4,519)**	1,461
Cash inflow/(outflow) before financing		**182,525**	(603,328)
Financing	15	**-**	500,000
Increase/(Decrease) in cash in the year		**182,525**	(103,328)

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt
For the year ended 31 December 2011

	Note	2011 £	2010 £
Increase/(Decrease) in cash in the year		**182,525**	(103,328)
Movement in net funds/(debt) in the year		**182,525**	(103,328)
Net funds at 1 January 2011		**946,333**	1,049,661
Net funds at 31 December 2011	16	**1,128,858**	946,333

The notes on pages 10 to 18 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 1 to 4

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future At 31 December 2011, the company was owed amounts totalling £637,206 (2010 - £973,237) from PSI Holdings Limited, a company that had net liabilities at the year end

The directors, having assessed statements from the directors of the company's parent comany, PSI Holdings Limited, and of the majority shareholder of PSI Holdings Limited, who have confirmed that they will continue to provide support in order that the company will continue in operational existence for the foreseeable future

On the basis of their assessment of the company's financial position and of the confirmations received from directors of PSI Holdings Limited, and from the majority shareholder of PSI Holdings Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

1.3 Turnover

Turnover comprises fees and commissions receivable and other revenue generated from the normal operations of the customer accounts in respect of the year Fees and commissions are earned and recognised on the date that the transactions occurs giving rise to that fee or commission

1 4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Fixtures, fittings and equipment - 33 1/3% per annum

1 5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Notes to the Financial Statements
For the year ended 31 December 2011

1. Accounting Policies (continued)

1.6 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

1 7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2. Turnover

The whole of the turnover is attributable to the principal activity of the company The directors consider there to be one class of business and, as such, further analysis has not been prepared

All turnover arose within the European Union

Notes to the Financial Statements

For the year ended 31 December 2011

3. Operating profit

The operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets		
- owned by the company	**12,044**	46,005
Auditor's remuneration	**27,500**	29,267
Auditor's remuneration - non-audit	**3,000**	5,875
Operating lease rentals		
- land and buildings	**87,210**	95,163
Difference on foreign exchange	**66,617**	17,690

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2011	2010
	£	£
Wages and salaries	**396,426**	485,770
Social security costs	**54,633**	57,306
Other pension costs	**26,056**	26,989
	477,115	570,065

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

	2011	2010
	No	No
Average monthly number employed including executive directors	**7**	8

5. Directors' remuneration

	2011	2010
	£	£
Emoluments	**184,667**	218,000
Amounts paid to third parties for directors' services	**48,000**	-

During the year retirement benefits were accruing to 2 directors (2010 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £100,000 (2010 - £102,917)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,250 (2010 - £NIL)

Notes to the Financial Statements

For the year ended 31 December 2011

6. Taxation

	2011	2010
	£	£
Analysis of tax charge in the year		
Deferred tax		
Origination and reversal of timing differences	**(3,244)**	(7,813)
Effect of increased tax rate on opening liability	**7,051**	-
Recognition of losses as an asset	-	(181,085)
Utilisation of tax losses	**2,860**	93,709
Total deferred tax (see note 10)	**6,667**	(95,189)
Tax on profit on ordinary activities	**6,667**	(95,189)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26 49% (2010 - 21%) The differences are explained below

	2011	2010
	£	£
Profit on ordinary activities before tax	**9,561**	383,700
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 49% (2010 - 21%)	**2,533**	80,577
Effects of·		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**490**	844
Capital allowances for year in excess of depreciation	**(163)**	12,288
Utilisation of tax losses	**(2,860)**	(93,709)
Current tax charge for the year (see note above)	-	-

Notes to the Financial Statements

For the year ended 31 December 2011

7. Tangible fixed assets

	Fixtures, fittings and equipment £
Cost	
At 1 January 2011	124,845
Additions	4,519
At 31 December 2011	129,364
Depreciation	
At 1 January 2011	114,192
Charge for the year	12,044
At 31 December 2011	126,236
Net book value	
At 31 December 2011	3,128
At 31 December 2010	10,653

8. Debtors

	2011 £	2010 £
Trade debtors	20,722	920,249
Amounts owed by group undertakings (see note 19)	637,206	973,237
Other debtors	1,460,238	115,405
Prepayments and accrued income	28,683	49,443
Deferred tax asset (see note 10)	88,522	95,189
	2,235,371	2,153,523

9. Creditors: Amounts falling due within one year

	2011 £	2010 £
Trade creditors	32,839	90,775
Social security and other taxes	11,515	19,117
Accruals	45,923	30,213
e-money floats	883,702	579,920
	973,979	720,025

Notes to the Financial Statements

For the year ended 31 December 2011

10. Deferred tax asset

	2011	2010
	£	£
At beginning of year	**95,189**	-
(Charge for)/released during year	**(6,667)**	95,189
At end of year	**88,522**	95,189

The deferred tax asset is made up as follows

	2011	2010
	£	£
Accelerated capital allowances	**7,359**	7,813
Tax losses carried forward and other deductions	**81,163**	87,376
	88,522	95,189

The gross amount of corporation tax loss brought forward at 31 December 2011 in respect of which no asset was recognised was £307,228 (2010 £335,445)

11. Share capital

	2011	2010
	£	£
Authorised		
2,000,000 Ordinary shares of £1 each	**2,000,000**	2,000,000
1,600,000 Redeemable Preference shares of £1 each	**1,600,000**	1,600,000
	3,600,000	3,600,000
Allotted, called up and fully paid		
1,100,003 Ordinary shares of £1 each	**1,100,003**	1,100,003
1,600,000 Redeemable Preference shares of £1 each	**1,600,000**	1,600,000
	2,700,003	2,700,003

Notes to the Financial Statements
For the year ended 31 December 2011

12. Reserves

	Profit and loss account £
At 1 January 2011	(309,519)
Profit for the year	2,894
At 31 December 2011	(306,625)

13. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	2,390,484	1,411,595
Profit for the year	2,894	478,889
Shares issued during the year	-	500,000
Closing shareholders' funds	2,393,378	2,390,484

14. Net cash flow from operating activities

	2011 £	2010 £
Operating profit	9,561	383,482
Depreciation of tangible fixed assets	12,044	46,005
(Increase)/decrease in debtors	(88,515)	936,467
Increase/(decrease) in creditors	238,031	(2,066,150)
Net cash inflow/(outflow) from operating activities	171,121	(700,196)

15. Analysis of cash flows for headings netted in cash flow statement

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	-	218

	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,519)	1,461

Notes to the Financial Statements
For the year ended 31 December 2011

15. Analysis of cash flows for headings netted in cash flow statement (continued)

	2011	2010
	£	£
Financing		
Issue of ordinary shares	-	500,000

16. Analysis of changes in net funds

	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
	£	£	£	£
Cash at bank and in hand	946,333	182,525	-	1,128,858
Net funds	946,333	182,525	-	1,128,858

17. Pension commitments

The company operates a defined contributions pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund and amounted to £26,056 (2010 - £26,989) Contributions totalling £nil (2010 - £nil) were payable to the fund at the balance sheet date

18. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011	Land and buildings 2010
	£	£
Expiry date:		
Within 1 year	17,694	17,694

Notes to the Financial Statements

For the year ended 31 December 2011

19. Related party transactions

Mr P Templeman was a director of the company during the year and major shareholder of Chargestream Limited At 31 December 2011 the company had a balance with Chargestream Limited of £nil (2010 - £770,147) During the year the company received income of £nil (2010 - £ 770,147) from Chargestream Limited as payment for the sale of e-money to Chargestream Limited as a distributor

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with PSI Holdings Limited on the basis that the company is a wholly owned subsidiary of that company

20. Ultimate parent undertaking and controlling party

The company is controlled by its immediate parent company, PSI Holdings Limited, incorporated in Gibraltar which owns 100% of the company's shares The ultimate controlling party is Avi Shaked by virtue of his majority shareholding in PSI Holdings Limited