



CHECKOUT LTD

REGISTERED NUMBER: 08037323

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANY INFORMATION

DIRECTORS:

Guillaume Pousaz
Thomas Hovaguimian

REGISTERED OFFICE:

1st Floor
32 Wigmore Street
London
W1U 2RP

**COMPANY REGISTRATION
NUMBER**

08037323

PRINCIPAL BANK:

Barclays Bank
One Churchill Place
Canary Wharf
London
E14 5HP

INDEPENDENT AUDITORS:

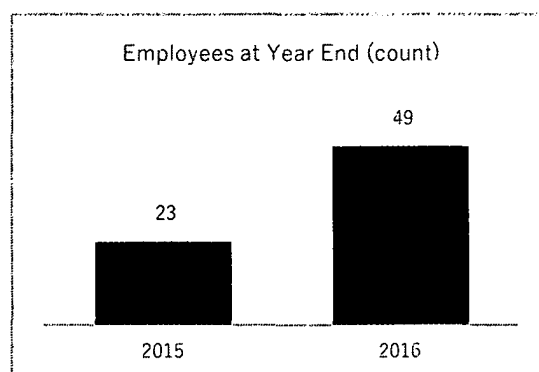
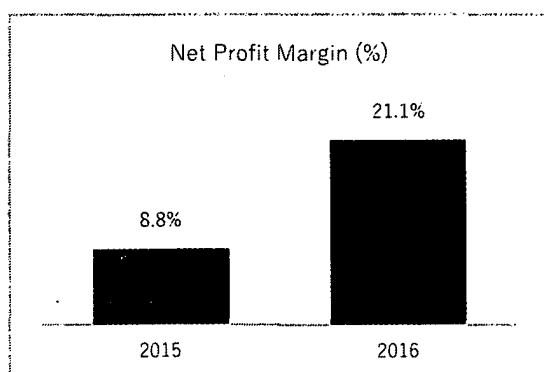
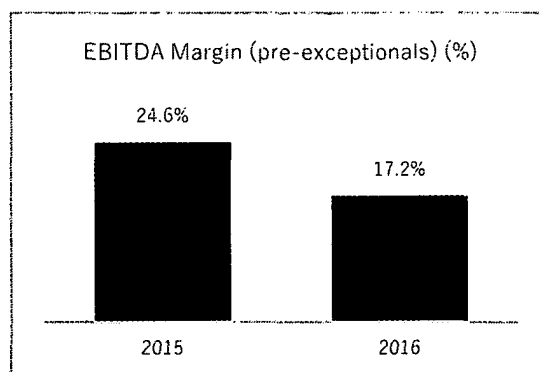
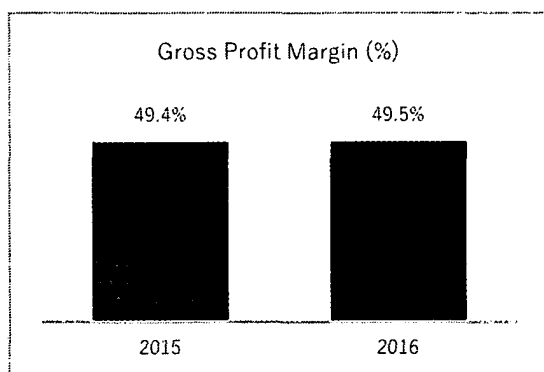
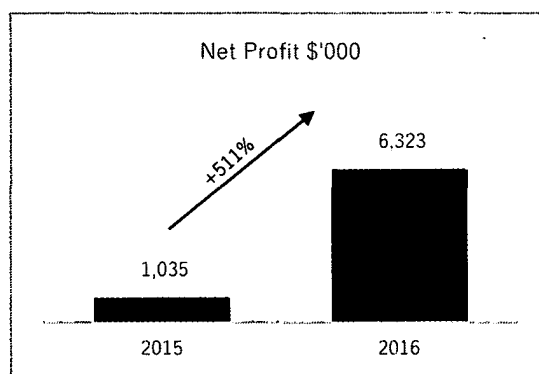
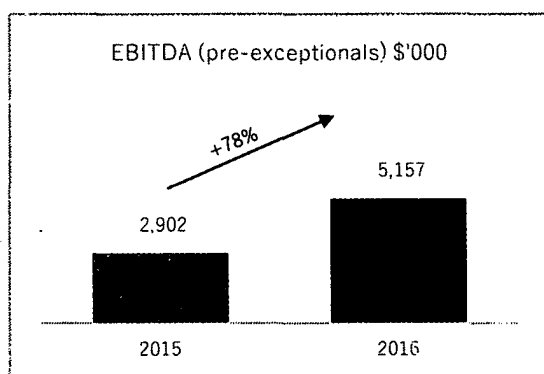
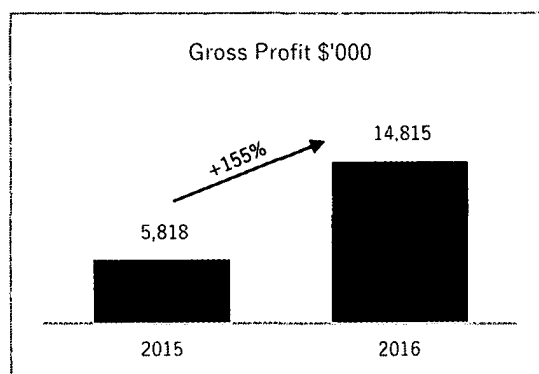
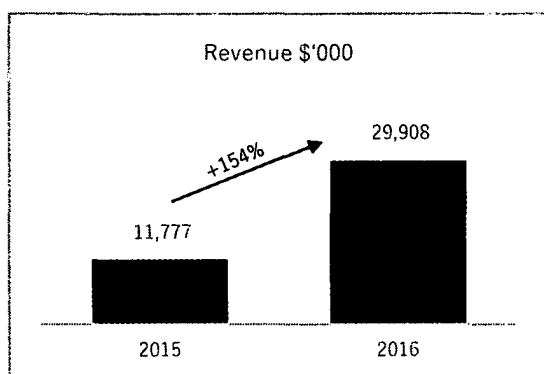
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Registered in England & Wales

STRATEGIC REPORT

Key Performance Indicators

We measure the development, performance and position of our business against several performance indicators, which are listed below:



STRATEGIC REPORT (Continued)**Checkout Ltd's business**

The principal activity of Checkout Ltd (herein known as the 'Company') is to act as the financial institution responsible for the acquiring and settlement of e-commerce transactions for the Group's European clients.

The Company is regulated as an Authorised Payment Institution under reference number 584615 by the UK Financial Conduct Authority (FCA) and benefits from principal memberships, or equivalent licensing arrangements, from all the global debit/credit card schemes: Visa, MasterCard, American Express, Diners/Discover, UnionPay and JCB. Checkout Ltd is a subsidiary of Checkout Group Ltd (herein known as the 'Group') who provides payment services worldwide.

The Company is also the financial intermediary for many of the leading alternative payment methods such as iDeal, Sofort, AliPay or TenPay. Among other auxiliary services, the Company provides advanced reconciliation and multi-currency remittances to its clients.

The Company outsources all its technology development to one of the Group companies.

It is the Group's belief that successful e-commerce merchants have increasingly complex requirements, and that such requirements can only be addressed via end-to-end, technology driven and fully tailored payment solutions.

Business review

We are satisfied with the performance of Checkout Ltd in 2016. During the year, the Group advanced the transfer of its European portfolio to the Company. The growing London sales team also produced good results, as evidenced by the 2016 financial performance.

The Company also continued to invest in the automation and enhancement of its internal reconciliation and treasury tools to accommodate notably the settlement speed needs of its growing merchant base.

Financial performance

Revenue and Gross profit grew above 150% during the financial year, supported by the ongoing expansion of the Company's European portfolio.

EBITDA (Earnings before interest, tax, depreciation and amortisation) grew by 538%, impacted positively by the cash payment made in respect of the Company's principal membership following the acquisition of VISA Europe by VISA Inc. Excluding exceptional items, EBITDA grew 78% during the year.

Margins continue to display healthy profitability. Gross margin was stable, ticking up from 49.4% to 49.5%. EBITDA margin decreased from 24.6% to 17.2%, reflecting the allocation of Group costs to the Company in 2016. Net profit margin expanded from 8.8% to 21.1%, reflecting the abovementioned exceptional item.

Future developments

In 2017, the Company expects to review its licensing options with the FCA to better support the launch of future financial products and continuously drive value for its enterprise clients.

The Company also expects to be able to remove its current financial intermediaries for JCB as well as UnionPay. The Company is also planning to complete the commercial arrangements with PayPal and other growing alternative payment methods.

STRATEGIC REPORT (Continued)**Employees**

Employee count grew from 23 at 31 December 2015, to 49 at 31 December 2016.

The Company has a strong recruitment pipeline across all departments. Employee count in the UK is expected to keep growing healthily in 2017.

The Company will review its facility requirements throughout the year.

The positive result for the year is supported by the hard work of our employees. We would like to thank them for their ongoing commitment.

Principal risks and uncertainties

There is an array of potential risks which could have a material impact on the long-term performance of the Company. These arise from internal or external events, acts or omissions which could pose a threat to the Company. The Company has in place a quarterly Compliance and Corporate Risk Committee ("CRCC") whose purpose is to monitor and assess all risks the Company is exposed to on a regular basis.


The table below outlines the most significant risks to Checkout Ltd.'s business. The risks below do not purport to be exhaustive. There may be additional risks that materialise over time that the Company has not yet identified or not yet deemed to have a potentially material adverse effect on the business.

Risk category	Risk description	Mitigating factors
Settlement risk	The failure to settle Merchants in time due to the lack of funds' availability, resulting from delays/failures in banks or card scheme payments. This could result in financial loss and/or reputational damage.	<ul style="list-style-type: none"> - Daily reconciliations of all transactions - Daily treasury management.
FX risk	The failure to adequately manage the Company's FX exposure resulting in financial loss to the business.	<ul style="list-style-type: none"> - Hedging of all cash reserves in different currencies.
Credit (counterparty) risk	The risk of financial loss as a result of third parties' failure to meet their obligations as they fall due.	<ul style="list-style-type: none"> - Strong client onboarding procedures - Daily transaction monitoring - Appropriate guarantees for targeted merchants or verticals.
People risk	The risk that the Company fails to retain and develop its people. This could result in the loss of the dynamic, high-performing working environment that has been created.	<ul style="list-style-type: none"> - Meritocratic working environment where people can take ownership and get rewarded for it - Dynamic corporate culture that focuses on personal growth and tailored career path - Alignment with industry best practices in term of benefits and team

STRATEGIC REPORT (Continued)

		building - Large People Operations team relative to the size of the Company.
Data security and technology risk	The loss of confidential data or technological disruption caused by either internal or external factors. This could result in financial loss and/or reputational damage.	- PCI DSS Level 1 certified solution within the Group - Ongoing vulnerability monitoring - Business critical technology developed within The Group on an exclusive basis. - Quarterly CRCC - Annual technology audit and risk assessments, monitoring, and penetration testing - Strong Disaster Recovery Plan and Business Continuity Plan in place.
Legal, regulatory and compliance risk	The failure to fulfil the Company's compliance and regulatory obligations and have failings in our financial crime reporting/compliance processes.	- Voluntary annual Compliance audit by an independent 3 rd party compliance auditor - Quarterly CRCC - Ongoing monitoring of the Company's compliance and regulatory position - Strong AML/CTF mitigation framework in place - Strong client on-boarding procedures.

Approved by the Board and signed on behalf of the Board



Guillaume Pousaz
 Director
 11 August 2017

DIRECTORS REPORT

The Directors are pleased to present their audited annual financial statements of Checkout Ltd (the "Company") for the year ended 31 December 2016. The review of the results of the year, the review of business, operations, principal risks and outlook are included in the Strategic Report on pages 3 to 6. The directors of the Company during the year were those listed on page 2.

Going concern

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Checkout Ltd, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

Further information supporting the going concern basis may be found in note 1 to the financial statements.

DIRECTORS

The directors of the Company during the year and for the period up to the date of this report were:

- Guillaume Pousaz
- Thomas Hovaguimian

Dividends

The directors did not pay an interim dividend in 2016. There have been no dividends approved since 31 December 2016 to the date of approval of these financial statements.

Political donations

The Company made no political donations during the year (2015: \$nil).

Director responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS REPORT

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.

The directors 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.

Website Publication

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditor.

Approved by the Board and signed on behalf of the Board



Thomas Hovaguimian
Director
11 August 2017

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CHECKOUT LTD (Continued)

Our opinion

In our opinion, Checkout Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CHECKOUT LTD
(Continued)

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 9, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Adri Loubser (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 August 2017

INCOME STATEMENT

For the year ended December 31, 2016

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Revenue	3	29,908	11,777
Cost of sales		(15,093)	(5,959)
Gross profit		14,815	5,818
General and administrative expenses	5	(9,693)	(3,963)
Other operating income		-	1,021
Profit from operating activities before exceptional items		5,122	2,876
Exceptional costs	9	-	(1,657)
Exceptional income	9	2,781	-
Profit from operating activities		7,903	1,219
Finance costs	7	-	(14)
Finance income		1	1
Net finance costs		1	(13)
Profit before income tax		7,904	1,206
Income tax expense	8	(1,581)	(171)
Net profit for the financial year		6,323	1,035

The notes on pages 16 to 32 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Profit for the financial year		6,323	1,035
Total other comprehensive result for the financial year (net of tax)		6,323	1,035
Total comprehensive income for the financial year		6,323	1,035

The notes on pages 16 to 32 form an integral part of these financial statements.

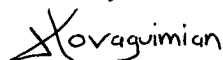
STATEMENT OF FINANCIAL POSITION

As at December 31, 2016 and 2015

<i>(US Dollars \$'000)</i>	Notes	31 December 2016	31 December 2015	1 January 2015
Assets				
Non-current assets				
Property, plant and equipment	10	67	33	53
Total non-current assets		67	33	53
Current assets				
Merchant float and scheme debtors		36,700	26,658	6,001
Trade and other receivables	11	3,978	1,620	690
Cash and cash equivalents		11,131	394	438
Total current assets		51,809	28,672	7,129
Total assets		51,876	28,706	7,182
Liabilities				
Current liabilities				
Trade and other payables	12	(5,550)	(5,445)	(3,693)
Merchant creditors		(36,700)	(21,539)	(2,685)
Current tax liabilities	8	(1,752)	(171)	-
Total current liabilities		(44,002)	(27,155)	(6,378)
Non-current liabilities				
		-	-	(288)
Total non-current liabilities		-	-	(288)
Total liabilities		(44,002)	(27,155)	(6,666)
Net assets		7,874	1,551	516
Equity				
Called up share capital	13	837	837	837
Retained earnings/(accumulated losses)		7,037	714	(321)
Total equity		7,874	1,551	516

The notes on pages 16 to 32 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 11 August 2017, and were signed on its behalf by:



Thomas Hovaguimian
Director

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2016

(US Dollars \$'000)	2016		
	Called up share capital	Retained earnings/(accumulated losses)	Total equity
Balance as at 1 January	837	714	1,551
Profit for the year		6,323	6,323
Total comprehensive income		6,323	6,323
Balance at 31 December	837	7,037	7,874

(US Dollars \$'000)	2015		
	Called up share capital	Retained earnings/(accumulated losses)	Total equity
Balance as at 1 January	837	(321)	516
Profit for the year	-	1,035	1,035
Total comprehensive income	-	1,035	1,035
Balance at 31 December	837	714	1,551

The notes on page 16 to 32 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Cash flows from operating activities			
Profit for the year before tax		7,904	1,206
<i>Adjustments for:</i>			
Depreciation of property plant and equipment	10	35	26
Finance expense		-	14
Finance income	7	(1)	(1)
		7,938	1,245
Changes in working capital			
(Increase) / decrease in trade and other receivables		(12,399)	(21,588)
Increase / (decrease) in trade and other payables		15,266	20,318
Cash generated from operating activities		10,805	(25)
Income taxes paid	8	-	-
Net cash inflow from operating activities		10,805	(25)
Cash flows from investing activities			
Purchase of tangible fixed assets	10	(69)	(6)
Net cash outflow from investing activities		(69)	(6)
Cash flows from financing activities			
Interest paid		-	(14)
Interest received		1	1
Net cash outflow from financing activities		1	(13)
Net increase / (decrease) in cash and cash equivalents		10,737	(44)
Cash and cash equivalents at the beginning of year		394	438
Cash and cash equivalents at end of year		11,131	394

The notes on pages 16 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – General Information

These Financial Statements present the operations and financial position of Checkout Ltd (hereinafter referred to as 'the Company'), as well as the Company's profit or loss for the reporting period.

The Company is regulated as an Authorised Payment Institution under reference number 584615 by the UK Financial Conduct Authority (FCA) and benefits from principal memberships, or equivalent licensing arrangements, from all the global debit/credit card schemes: Visa, MasterCard, American Express, Diners/Discover, UnionPay and JCB. Checkout Ltd is a subsidiary of Checkout Group Ltd (herein known as the 'Group') who provides payment services worldwide.

The Company's ultimate holding company is Checkout Group Ltd, which is incorporated and registered in the Isle of Man.

Note 2 – Significant accounting policies

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ('IFRSs') as published by the International Accounting Standards Board ('IASB') and as adopted by the European Union and International Financial Reporting Standards Interpretations Committee ('IFRS IC') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

Previously the Company prepared financial statements under UK GAAP (FRSSE). The company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at 1 January 2015 throughout all periods presented, as if these policies had always been in effect. Note 19 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2015.

The financial statements were prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the financial statements.

i. Change in functional and presentation currency

The financial statements are presented in US dollars. Unless otherwise indicated, all amounts are rounded to the nearest thousand US dollars. Previously, the Directors have prepared the financial statement in British Pounds and therefore, there has been a change in functional currency.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – Significant accounting policies (continued)

IAS 21 (foreign currency translations) describes functional currency as 'the currency of the primary economic environment in which the entity operates'. Taking into consideration that revenue generated in US dollars amounts to 62% of total revenue, the Directors have concluded that its functional currency has changed to US dollars.

The effective date of the change in functional currency is 1 January 2016

ii. Going concern

The Company made an operating profit of \$7.9m in 2016 (2015: \$1.2m) and has net assets of \$7.9m (2015: \$1.6m). After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As such, they continue to adopt the going concern basis in preparing these financial statements.

b) Amendments to published standards

i. New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2016 have a significant impact on the Company's financial statements, apart from additional disclosure. The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company.

ii. New standards, amendments and interpretations not yet adopted

There are no standards or revisions effective for the Company for the financial year ended 31 December 2016.

The following standards and revisions will be effective for future periods:

- IFRS 9, 'Financial instruments', effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15, 'Revenue from contracts with customers', effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16, 'Leases', effective for accounting periods beginning on or after 1 January 2019.

The Company is in the process of assessing the impact of the above-mentioned standards (all of which are endorsed by the EU) however consider that they will not have a material impact of the Company's financial statements, apart from additional disclosures however a thorough review will be completed in the coming year.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company.

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2016

NOTES TO THE FINANCIAL STATEMENTS**c) Revenue**

Revenue represents the consideration received or receivable from the merchants for services provided. Key revenue streams that the Company reports are:

i. Transaction services

Transaction service charges relate to services provided to process transaction between the customer and an acquiring bank, which is a bank that accepts card payments from the card-issuing banks. Revenue is recognised on every successfully processed transaction.

ii. Treasury management

Revenue from treasury measurement is generated from settling foreign currency transactions on behalf of customers. Revenue is recognised when the Company's obligation in relation to the transaction is fulfilled.

d) Cost of sales

Cost of sales consist of the following key components:

i. Scheme fees

Scheme fees represent amounts charged by card networks to provide the functionality necessary to allow the processing of the transactions.

ii. Interchange fees

Interchange fees represent fees paid to the cardholder banks for the acceptance of card based transactions.

All cost of sales are recognised on each transaction processed and as a consequence are recognised in the same period as the related revenue.

e) Finance income and costs

Finance income comprise interest receivable on cash at bank. Interest income is recognised within the statement of comprehensive income as it accrues.

Finance costs comprise of amounts payable on borrowings. Finance costs are recognised using the effective interest rate method.

f) Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS**g) Income taxation**

Income tax is recognized in the income statement except to the extent that it relates to a business combination or to items recognized directly in 'Equity' or in 'Other comprehensive income', in which case it is also recognized respectively in 'Equity' or 'Other comprehensive income'.

i. Current taxation

Current tax is provided at the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date; any adjustment to the amount of current tax payable in respect of previous periods and all other taxes calculated on a net amount of revenue and expenses.

ii. Deferred taxation

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h) Property, plant and equipment

Property, plant and equipment are recognised at fair value and subsequently measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful economic life of that asset as follows:

Computer Equipment	3 years
Furniture & Fittings	4 years

The asset's residual value and useful life is reviewed, and adjusted if appropriate at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds less any associated costs of disposal with the asset's carrying amount and are recognised within operating profit. These are included in the statement of comprehensive income. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS**i) Merchant float, scheme debtors and merchant creditors**

Merchant float represents surplus cash balances that the Company holds on behalf of its customers when the incoming amount from the card schemes or networks precedes when the funding to customers falls due.

Merchant creditors represents processed transactions that are yet to be paid to merchants. These are recognised at fair value and subsequently measured at amortised costs.

Scheme debtors represent funds that have been processed but are yet to be received from the schemes.

The funds are held in a fiduciary capacity and cannot be utilised by the Company to fund its own cash requirements. The merchant float is also subject to significant period by period fluctuations depending on the day of the week a year end falls. For these reasons, the Directors have excluded the merchant float from the cash flow statement to allow a better understanding of the Company's underlying own cash flows.

j) Financial instruments**i. Financial assets**

Financial assets are categorised under IAS39 as financial assets at fair value through profit or loss, loans and receivable financial assets and available for sale financial assets as appropriate.

The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. These assets are initially recognised at fair value and subsequently measured at amortised costs using the effective interest method less any provision for bad or doubtful debts.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership.

A provision for impairment is made when there is objective evidence that the Company will not be able to collect all or some of the amounts due under the original terms of the contract and are recognised in the Statement of Comprehensive Income. Impaired debts are derecognised when they are assessed as uncollectable. Any subsequent reversals of an impairment loss are recognised in the Statement of Comprehensive Income.

Cash and bank balances in the Company's Statement of Financial Position are also classified as a financial asset and comprise cash in hand and at bank.

ii. Financial liabilities

Financial liabilities are categorised under IAS39 as financial liabilities at fair value through profit or loss or other financial liabilities measured at amortised cost using the effective interest rate.

Financial liabilities included within trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**k) Provisions**

The Company recognises a provision for a present legal or constructive obligation from a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

l) Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

m) Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders.

n) Foreign currencies

The Company's financial statements are presented in US dollars which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the rates of exchange for USD at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange prevailing at that date. Differences arising on settlement on translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the change rates at the earlier of the date of initial transaction or at the date of conversion to USD functional currency.

o) Judgement and estimates

The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

i) Income taxes

The Company recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. Detail of the tax charge and deferred tax are set out in note 8.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 3 – Revenue

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Revenue generated in the UK		19,905	7,781
Revenue generated overseas		10,003	3,996
Total Revenue		29,908	11,777

Note 4 – Auditors' remuneration

<i>(US Dollars \$'000)</i>	2016	2015
Fees payable to the Company's auditors for the audit of the Company's Annual financial statements	59	41
Other assurance services	-	-
Total	59	41

Note 5 – General and administrative expenses

<i>(US Dollars \$'000)</i>	2016	2015
Wages and salaries excluding exceptional item (note 6)	2,948	2,557
Depreciation of property plant and equipment	35	26
Operating lease costs	401	268
Professional fees	538	119
Technology and communication	216	95
Foreign exchange losses/(gains)	538	(7)
Travel	91	295
Intercompany fees	4,533	672
Other	393	-
Total	9,693	3,963

All other expenses are incurred in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6 – Personnel expenses

<i>(US Dollars \$'000)</i>	2016	2015
Employee costs for the Company during the year amounted to (including directors):		
Wages and salaries	2,710	3,840
Social security costs	238	197
Total	2,948	4,037

The average number of employees, including Directors, during the year was:

<i>(Number)</i>	2016	2015
Corporate	17	13
Operations	2	1
Sales	2	1
Technology engineering	16	7
Total	37	22

Key management compensation (including Directors remuneration)

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company (including Directors).

<i>(US Dollars \$'000)</i>	2016	2015
Short-term employee benefits	238	266
Post-employment benefits	-	-
Termination benefits	-	1,480
Total	238	1,746

Note 7 – Finance costs

<i>(US Dollars \$'000)</i>	2016	2015
Other finance costs	-	14
Finance costs	-	14

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Note 8 – Income tax expense**

Tax on the profit or loss for the year comprises current and deferred tax. Current tax, including all applicable UK and foreign taxes, is the expected tax payable on the taxable income for the year, using tax rates and bases of calculation which have been enacted or substantively enacted in the applicable jurisdiction for the current accounting period, together with any necessary adjustments to tax payable in respect of previous accounting periods. Current tax is recognised in the income statement unless it arises from a transaction recognised directly in equity, in which case the associated tax is also recognised directly in equity. Relief for foreign taxation in calculating UK taxation liabilities is taken into account where appropriate

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Current taxation			
UK corporation tax charge for the financial year		1,576	171

The Company is mainly exposed to UK tax. The actual tax charge differs from the expected tax charge computed by applying the average UK corporation tax of 20% (2015: 20%) as follows:

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Profit from operating activities at 20% (2015: 20%)		1,581	244
Non-deductible items		1	6
Capital allowances in excess of depreciation		(6)	(4)
Brought forward losses utilised		-	(75)
Actual tax credit for the financial year		1,576	171

Current tax liabilities

<i>(US Dollars \$'000)</i>	Notes	2016	2015
Current tax - UK		1,752	171

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 9 – Exceptional items

The following items have been included in arriving at profit before tax

<i>(US Dollars \$'000)</i>	2016	2015
Director termination benefits	-	1,480
Other finance costs	-	177
Exceptional costs	-	1,657

In October 2015, an agreement was reached with a former Director of the Company to leave employment. The costs charged to the income statement relate to costs as a result of reaching this agreement.

<i>(US Dollars \$'000)</i>	2016	2015
VISA settlement	2,781	-
Exceptional income	2,781	-

Following the acquisition of VISA Europe by VISA Inc. a cash payment was made in respect of the Company's principal membership. This amount has been recognised as a gain within the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 10 – Property, plant and equipment

<i>(US Dollars \$'000)</i>		2016	
	Furniture & fitting	Computer equipment	Total
Cost			
Balance as at 1 January 2016	22	64	86
Additions	6	63	69
Disposals			
Balance as at 31 December 2016	28	127	155
Accumulated depreciation			
Balance as at 1 January 2016	12	41	53
Charge for the year	6	29	35
Disposals			
At 31 December 2016	18	70	88
Net book value at 31 December 2016	10	57	67
Net book value at 1 January 2016	10	23	33

<i>(US Dollars \$'000)</i>		2015	
	Furniture & fitting	Computer equipment	Total
Cost			
Balance as at 1 January 2015	22	58	80
Additions	-	6	6
Disposals			
Balance as at 31 December 2015	22	64	86
Accumulated depreciation			
Balance as at 1 January 2015	7	20	27
Charge for the year	5	21	26
Disposals			
At 31 December 2015	12	41	53
Net book value at 31 December 2015	10	23	33
Net book value at 1 January 2015	15	38	53

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 11 – Trade and other receivables

<i>(US Dollars \$'000)</i>	2016	2015
Prepayments and accrued income	1,257	353
Intercompany receivable	355	34
Other receivables	2,366	1,233
Total	3,978	1,620

Note 12 – Trade and other payables

<i>(US Dollars \$'000)</i>	2016	2015
Current		
Trade payables	822	853
Accruals and deferred income	331	1,994
Intercompany payable	4,180	2,547
Social security and other taxes	172	51
Other payables	45	-
Total	5,550	5,445

Note 13 – Called up share capital

	2016	2015
<i>Issued and fully paid up ('000)</i>	710	710
Ordinary Shares of £0.80 each (US Dollars '000)	837	837

Note 14 – Operating lease commitments

Future minimum payments under non-cancellable operating leases

<i>(US Dollars \$'000)</i>	2016		2015	
	Land and buildings	Other leases	Land and buildings	Other leases
Within one year	220	-	-	-
Due between one and five years	858	-	-	-
After five years	-	-	-	-
Total	1,078	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 15 – Related party transactions

Balances with Group companies as at 31 December 2016 and 31 December 2015.

<i>(US Dollars \$'000)</i>	2016	2015
Amounts due from related parties		
Checkout Payment Mauritius Ltd	349	-
CKO Technology Ltd	6	5
Checkout MENA FZ LLC	-	29
	355	34

<i>(US Dollars \$'000)</i>	2016	2015
Amounts due to related parties		
Checkout Technology Ltd	1,482	585
Checkout Payment Mauritius Ltd	-	1,666
Checkout APAC Pte Ltd	423	-
Checkout Support Services Ltd	978	-
Checkout MENA FZ LLC	1,003	-
Checkout Group Ltd	294	296
	4,180	2,547

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 16 – Financial instruments

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risks arise are as follows:

- i. Trade and other receivables
- ii. Cash and cash equivalents
- iii. Trade and other payables

The Company does not issue or use financial instruments of a speculative nature. A summary of the financial instruments held by category is provided below:

<i>(US Dollars \$'000)</i>	2016	2015
Financial Assets		
Cash and cash equivalents	11,131	394
Trade and other receivables	3,628	1,621
Merchant Float and scheme debtors	36,700	26,658
	51,459	28,672

<i>(US Dollars \$'000)</i>	2016	2015
Financial Liabilities		
Trade and other payables	5,200	5,444
Merchant Creditors	36,700	21,539
	41,900	26,983

The Company considers that the carrying value of the above financial assets and financial liabilities, which are carried at amortised cost, to be equal to the fair value due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 17 – Financial risk management

The Company's activities expose it to liquidity risk, market risk and credit risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk arises from the Company's management of working capital and finance charges.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions. The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities.

<i>(US Dollars \$'000)</i>	2016	2015
Financial Liabilities - due within one year		
Trade payables	822	852
Accruals and deferred income	331	1,993
Other payables	44	-
Merchant creditors	36,700	21,539
	37,897	24,384

b) Market risk

i. Price risk

The Company does not hold any financial instruments, which are subject to price risk.

ii. Currency risk

The Company's merchants process payments in multiple currencies and therefore is exposed to currency risk. The Company has material exposure to the following currencies – other currencies are not considered to be individually material:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
GBP	6,612	4,359	1,834	3,519
SGD	27	27	156	156
USD	20,614	24,439	9,892	12,405
AED	3,506	3,506	1,057	1,057
EUR	4,253	4,253	2,795	2,795
JPY	5,187	5,187	6,240	6,240
Other	478	478	811	811

Currency risk is managed at a Company level and is focussed on Company assets and liabilities. Scheme receipts and merchant payments generally match currency which mitigates the Company's currency risk. Where there is a difference in settlement currency, the time between receipt and settlement limits the currency risk to the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The foreign exchange rates used by the Company at the year-end are as follows:

	2016		2015	
	Average	Reporting date	Average	Reporting date
GBP	0.7397	0.8100	0.6544	0.6755
AED	3.6721	3.6719	3.6730	3.6721

i. Interest rate risk

The Company's main interest rate risk arises from its holdings of cash. There is no material interest rate risk exposure on financial liabilities as interest on borrowings is charged at a fixed rate of interest.

Interest rate risk is the risk of increased costs or lower income arising from unexpected movements in interest rates and inflation rates impacting on the Company's cash balances. The Company does not hold any long-term debt.

ii. Capital risk management

The Company defines capital as total equity plus net debt which the Directors review on an ongoing basis. The Company's capital objective is to maintain a strong and efficient capital base to support the Company's strategic objectives, provide optimal returns for shareholders and safeguard the Company's status as a going concern. The Directors will only declare dividends to the extent that the Group can maintain its capital objective.

There has been no change to capital risk management policies during the year.

c) Credit risk

Credit risk arises from the failure of merchants, partner banks or alternative payment providers to meet their obligations in accordance with the agreed terms. The Company does not believe it has a material credit risk in relation to amounts owed to us by the card networks as our contracts state we are only liable to settle to merchants on our receipt of those funds.

No amounts owed at the year-end are either past due or impaired.

All cash is held at banks with at least a Baa2 credit rating (investment grade). The Company regularly monitors and assesses counterparty risk.

Note 18 – Ultimate controlling party

The ultimate parent entity is Checkout Group Ltd, a company incorporated in the Isle of Man, by virtue of owning 100% of the ordinary shares of the Company. Guillaume Pousaz is considered to be the ultimate controlling party by virtue of being the sole shareholder of Checkout Group Ltd

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 19 – Transition to IFRS

The effect of the Companies transition to IFRS is summarized in the note below as follows:

- a) Transition elections
- b) Reconciliation of equity and comprehensive income as previously reported under UK GAAP; and
- c) Adjustments to the statement of cash flows

- a) Transition elections

The company has applied no transition exceptions or exemptions to full retrospective application of IFRS

- b) Reconciliation of equity and comprehensive income as previously reported under UK GAAP

<i>(US Dollars \$'000)</i>	31 December 2015	1 January 2015
Equity		
Equity as reported under UK GAAP	1,551	516
IFRS adjustments result	-	-
Equity as reported under IFRS	1,551	516

<i>(US Dollars \$'000)</i>	31 December 2015
Total comprehensive income	
Total comprehensive income as reported under UK GAAP	1,035
IFRS adjustments result	-
Total comprehensive income as reported under IFRS	1,035

- c) Adjustments to the statement of cash flows

The transition from UK GAAP to IFRS had no material impact on cash flows generated by the Company.

Note 20 – Post balance sheet events

There are no post balance sheet events to disclose.