

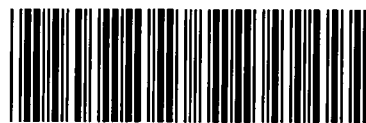
**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

**MGAGE EUROPE LIMITED**

THURSDAY



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# MGAGE EUROPE LIMITED

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## COMPANY INFORMATION

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<b>Directors</b>	J. Continenza D. Goldbarg
<b>Registered number</b>	08789165
<b>Registered office</b>	10th Floor 11 York Road London
<b>Independent auditors</b>	Menzies LLP Chartered Accountants & Statutory Auditors Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY

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# MGAGE EUROPE LIMITED

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# MGAGE EUROPE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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### Introduction

The Group hereby presents mGage Europe Limited's Strategic Report covering the combined and consolidated results for the financial year ended 31 December 2017.

### Principal activities & business review

In the trading year ended 31 December 2017, mGage generated turnover totaling £10,453,275, an increase of 1.7% on 2016 while achieving gross margin on turnover of 37.6%, a nominal 0.9% percentage point decrease on 2016.

Following revenue and margin attrition suffered in part by regulatory changes to Premium SMS services in addition to increases in operator message termination rates, the Company was able to win back equivalent revenue and margin in 2017. This was achieved in part by being the first mobile messaging aggregator to partner with one of the larger regional mobile network operators and their new Direct Carrier Billing platform. The partnership and related turnover generated from Direct Carrier Billing operations are expected to continue developing throughout 2018 and beyond.

Despite maintaining Revenue and Margin levels throughout 2017, the European business still generated an Operating Loss of £638,930. This was a 50% improvement on the Operating Losses of the prior year. Management worked throughout 2017 on several projects to ensure that overhead costs were reduced. The Company focused particularly on optimizing facilities costs in both United Kingdom and broader European operations. In addition to investments being made to refresh related hardware, these efforts concluded with the material consolidation of datacenters, rack space and office space.

Administrative expenses totaled £4,986,580 in 2017, representing a decrease of 4.8% on 2016. Their first full year impact will be realized in 2018.

Management are pleased to see a turnaround on EBITDA loss of £354,932 in 2016 to a profit of £315,779 in 2017. Although the overall Net Loss for 2017 is £872,833, £954,709 is attributed to the amortization write down of intangibles assets. These assets will be fully amortized in mid-2018 and will no longer contribute to net results in future periods.

mGage continues to introduce new products, technologies, capabilities while expanding network reach and investing in our infrastructure. The Company also continues to build its next generation global gateway solution. This project has been designed to adapt and support new, developing and customized feature functionalities. It has been engineered to scale with dramatic volume growth while providing a full active geo-redundant solution, critical for acceptance by large enterprises.

mGage has also significantly invested in its SaaS-based Campaign Management Product Platform (Communicate PRO) and the Mobile Payments portfolio for brands and partners to increase their revenues and compliance commitments to their users. Investments and improvements have been made at both infrastructure and application level to improve customer experience and market demand.

Administrative expenses totaled £4,986,580 in 2017, representing a decrease of 4.8% on 2016. Although realization of operational cost saving initiatives were dispersed throughout 2017, their first full calendar year impact in 2018 is anticipated to relieve Administrative expenses by 16.0% over 2016.

Administrative expenses are evaluated in the normal course and will be proactively managed to support correlative operating levels.

The directors are satisfied with the level of turnover and together with the organic growth of legacy messaging and payments service, their intention is to continue to grow the business through increasing sales volume and new product introductions.

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# MGAGE EUROPE LIMITED

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### Principal risks and uncertainties

Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

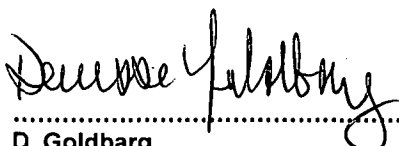
Potential SMS volume decrease as brands seek to use "Over the top" (OTT) messaging applications. We have not seen a decline in the brands sending messages to their customer base. On the contrary, we have engaged new brands who are seeking to use SMS, whilst messaging volume from existing clients continues to grow. We continue to educate our clients on the use of a multi-channel customer strategy that encapsulates all customer touchpoints, where SMS is a complementary player to the newer OTT applications.

### Compliance Risk

The Group provides mobile payment services that are regulated by Phone-paid Services Authority (PSA), a Premium Rated Service Government Regulator operating under rules established by "Payforit." Payforit rules are adopted by the four United Kingdom mobile network operators: Vodafone, O2, Three and EE. This is in conjunction with the micropayment industry's trade association, Association for Interactive Media and Micropayments (AIME), and the regulators, the Office of Communications (Ofcom) and the PSA.

The regulatory environment is regularly changing and imposes significant demands on the resources of the Group. As the Group's activities expand, offering new products and penetrating more vertical industries, the regulatory demands will inevitably increase. The costs of compliance did increase as we saw significant changes to the regulatory customer flows, but we still see the opportunity for taking these flows into new vertical market applications by thereby offsetting any incremental costs.

This report was approved by the board on 27.4.2018 and signed on its behalf.



D. Goldbarg  
Director

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# MGAGE EUROPE LIMITED

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

### Results and dividends

The loss for the year, after taxation, amounted to £872,833 (2016 - £1,325,469).

The directors do not recommend the payment of a dividend.

### Directors

The directors who served during the year were:

J. Continenza  
D. Goldbarg  
S. Patel (resigned 10 February 2017).

### Financial instruments

There are no matters concerning financial risk which are material for the assessment for the assets, liabilities, financial position and profit or loss of company.

### Disclosure of information to auditors

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

- so far as 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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# MGAGE EUROPE LIMITED

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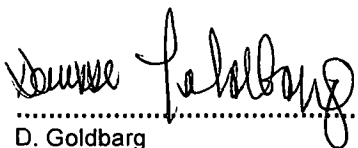
## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### Auditors

The auditors, Menzies LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27.4.2018 and signed on its behalf.

  
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D. Goldberg  
Director

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGAGE EUROPE LIMITED**

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**Opinion**

We have audited the financial statements of MGage Europe Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss 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.

**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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

**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 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, other than the financial statements and our Auditors' 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.



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGAGE EUROPE LIMITED (CONTINUED)**

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**Opinion 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.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the 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.

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

- adequate accounting records have not been kept, 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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGAGE EUROPE LIMITED (CONTINUED)

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**Use of our report**

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 Auditors' 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.

*Menzies LLP*

Caroline Milton (Senior Statutory Auditor)  
for and on behalf of  
**Menzies LLP**  
Chartered Accountants & Statutory Auditors  
Ashcombe House  
5 The Crescent  
Leatherhead  
Surrey  
KT22 8DY

Date:

*30 April 2018*

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# MGAGE EUROPE LIMITED

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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	Note	2017 £	2016 £
Turnover	5	10,453,275	10,274,861
Cost of sales		(6,521,428)	(6,314,226)
<b>Gross profit</b>		<b>3,931,847</b>	<b>3,960,635</b>
Administrative expenses		(4,986,580)	(5,242,402)
Other operating income	11	415,803	-
<b>Operating loss</b>	6	<b>(638,930)</b>	<b>(1,281,767)</b>
Interest receivable and similar income		4,169	11,474
Interest payable and expenses	9	-	(1,793)
<b>Loss before tax</b>		<b>(634,761)</b>	<b>(1,272,086)</b>
Tax on loss	10	31,453	23,043
<b>Loss for the financial year</b>		<b>(603,308)</b>	<b>(1,249,043)</b>
<b>Other comprehensive income for the year</b>			
Exceptional costs		(269,525)	(76,426)
<b>Other comprehensive income for the year</b>		<b>(269,525)</b>	<b>(76,426)</b>
<b>Total comprehensive income for the year</b>		<b>(872,833)</b>	<b>(1,325,469)</b>

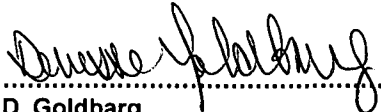
**MGAGE EUROPE LIMITED**  
**REGISTERED NUMBER:08789165**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	736,365	1,263,096
Tangible assets	13	137,398	60,167
		<u>873,763</u>	<u>1,323,263</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	4,988,744	8,426,972
Cash at bank and in hand		2,013,480	4,637,124
		<u>7,002,224</u>	<u>13,064,096</u>
Creditors: amounts falling due within one year	16	(7,797,865)	(13,436,404)
<b>Net current liabilities</b>		<u>(795,641)</u>	<u>(372,308)</u>
<b>Total assets less current liabilities</b>		<u>78,122</u>	<u>950,955</u>
<b>Net assets</b>		<u>78,122</u>	<u>950,955</u>
<b>Capital and reserves</b>			
Called up share capital	18	22	22
Profit and loss account	19	78,100	950,933
		<u>78,122</u>	<u>950,955</u>

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

27.4.2018

  
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**D. Goldbarg**  
Director

The notes on pages 11 to 21 form part of these financial statements.

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## MGAGE EUROPE LIMITED

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### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	22	950,933	950,955
Loss for the year	-	(603,308)	(603,308)
Exceptional costs	-	(269,525)	(269,525)
Total comprehensive income for the year	-	(872,833)	(872,833)
At 31 December 2017	22	78,100	78,122

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	22	2,276,402	2,276,424
Comprehensive income for the year			
Loss for the year	-	(1,249,043)	(1,249,043)
Exceptional costs	-	(76,426)	(76,426)
Total comprehensive income for the year	-	(1,325,469)	(1,325,469)
Capital reduction	-	-	-
At 31 December 2016	22	950,933	950,955

The notes on pages 11 to 21 form part of these financial statements.

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 2. Company information

mGage Europe Limited is a private company limited by shares, incorporated and domiciled in England within the United Kingdom. The address of its registered office and principal place of business can be found on the company information page.

These financial statements have been rounded to the nearest GBP.

### 3. Accounting policies

#### 3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

#### 3.2 Going concern

The directors consider the going concern basis to be appropriate having paid due regard to the Company and its Group's projects results projected for the twelve month period from the date the financial statements are approved and the anticipated cash flows, availability of bank facilities and mitigating actions that can be taken during the year.

Vivial Inc. has confirmed that they will make available to the company, funding over the next twelve months, to enable the company to discharge all their debts and liabilities as they fall due.

#### 3.3 Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 401 of the Companies Act 2006 on the basis that the group results will be included in Vivial Inc.'s consolidated accounts.

#### 3.4 Revenue

Revenue is represented by the provision of mobile content and messaging solutions net of Value Added Tax. Revenue is recognised through monthly issued traffic being reconciled and agreed between mGage and its customers. The agreed corresponding sale is recorded as revenue in the accounts.

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Amortisation is provided on the following bases:

Intellectual property	-	33 % straight line
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#### 3.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33 % straight line
Office equipment	-	33 % straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 3.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

#### 3.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 3. Accounting policies (continued)

#### 3.9 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

#### 3.10 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

#### 3.11 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 3.12 Exceptional costs

Exceptional costs are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.



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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 4. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Depreciation, amortisation and residual values:

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

### 5. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Rendering of Services	10,453,275	10,274,861
	<u>10,453,275</u>	<u>10,274,861</u>
	2017 £	2016 £
United Kingdom	7,010,553	7,288,562
Rest of the world	3,442,722	2,986,299
	<u>10,453,275</u>	<u>10,274,861</u>

### 6. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	59,617	46,099
Exchange differences	60,124	45,363
Amortisation of intangible assets, including goodwill	895,092	880,736
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	22,500	21,500
Defined contribution pension cost	33,796	32,002

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	2,423,771	2,513,572
Social security costs	270,589	293,270
Cost of defined contribution scheme	33,796	32,002
	<u>2,728,156</u>	<u>2,838,844</u>

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

	2017 No.	2016 No.
Production staff	16	13
Distribution staff	15	18
Administrative staff	12	12
Management staff	-	2
	<u>43</u>	<u>45</u>

### 8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	101,336	236,095
	<u>101,336</u>	<u>236,095</u>

### 9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	-	1,793
	<u>-</u>	<u>1,793</u>

# MGAGE EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	(31,453)	(23,043)
	<u>(31,453)</u>	<u>(23,043)</u>
<b>Total current tax</b>	<u>(31,453)</u>	<u>(23,043)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19% (2016 - 19%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	(634,761)	(1,272,086)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 19%)	(120,605)	(241,696)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	3,835	3,557
Capital allowances for year in excess of depreciation	(15,222)	(13,871)
Adjustments to tax charge in respect of prior periods	(31,453)	(23,043)
Other adjustments	16,487	(5,393)
Deferred tax asset not recognised	115,505	257,403
<b>Total tax charge for the year</b>	<u>(31,453)</u>	<u>(23,043)</u>

#### Factors that may affect future tax charges

At 31 December 2017 the company had trading losses carried forward of approximately £21,300,000 (2016: £20,700,000). No deferred tax asset has been provided in respect of the losses because of the current uncertainty over the utilisation.

### 11. Other income

	2017 £	2016 £
Other income following the write back of historical reconciliation differences	(415,803)	-
	<u>(415,803)</u>	<u>-</u>

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 12. Intangible assets

	Intellectual property £
<b>Cost</b>	
At 1 January 2017	9,785,715
Additions	430,295
Disposals	(318,519)
At 31 December 2017	<u>9,897,491</u>
<b>Amortisation</b>	
At 1 January 2017	8,522,619
Charge for the year	895,092
On disposals	(256,585)
At 31 December 2017	<u>9,161,126</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>736,365</u></u>
At 31 December 2016	<u><u>1,263,096</u></u>

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 13. Tangible fixed assets

	Short-term leasehold property £	Fixtures and fittings £	Equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2017	77,411	18,593	472,429	568,433
Additions	-	606	144,519	145,125
Disposals	-	-	(339,804)	(339,804)
At 31 December 2017	<u>77,411</u>	<u>19,199</u>	<u>277,144</u>	<u>373,754</u>
<b>Depreciation</b>				
At 1 January 2017	77,411	18,306	412,549	508,266
Charge for the year on owned assets	-	391	59,328	59,719
Disposals	-	-	(331,629)	(331,629)
At 31 December 2017	<u>77,411</u>	<u>18,697</u>	<u>140,248</u>	<u>236,356</u>
<b>Net book value</b>				
At 31 December 2017	<u>-</u>	<u>502</u>	<u>136,896</u>	<u>137,398</u>
At 31 December 2016	<u>-</u>	<u>287</u>	<u>59,880</u>	<u>60,167</u>

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 14. Investments

The company holds 100% of the ordinary shareholding in mGage Athens Private Company, a company incorporated in Greece.

The principal activity of that entity is that of services provided in relation to mobile engagement activities. The value of the investment at 31 December 2017 is £nil (2016: £nil).

### 15. Debtors

	2017 £	2016 £
Trade debtors	2,428,342	3,083,208
Amounts owed by group undertakings	106,197	161,655
Other debtors	53,902	59,275
Prepayments and accrued income	2,400,303	5,122,834
	<u>4,988,744</u>	<u>8,426,972</u>

### 16. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	2,871,513	4,034,427
Amounts owed to group undertakings	479,957	116,857
Other taxation and social security	198,853	810,229
Other creditors	771,225	1,015,938
Accruals and deferred income	3,476,317	7,458,953
	<u>7,797,865</u>	<u>13,436,404</u>

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 17. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>4,766,230</u>	<u>8,125,055</u>
	<u>4,766,230</u>	<u>8,125,055</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(7,558,573)</u>	<u>(5,050,368)</u>
	<u>(7,558,573)</u>	<u>(5,050,368)</u>

Financial assets measured at amortised cost comprise of trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors and accruals.

### 18. Share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
2,204 Ordinary shares of £0.01 each	<u>22</u>	<u>22</u>

### 19. Reserves

#### Profit and loss account

The profit and loss account consists of retained earnings or losses to date.

### 20. 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 £33,796 (2016 - 32,002). Contributions totalling £13,564 (2016 - £3,469) were payable to the fund at the reporting date and are included in creditors.

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# MGAGE EUROPE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 21. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	111,882	318,048
Later than 1 year and not later than 5 years	1,973	95,304
	<u>113,855</u>	<u>413,352</u>

### 22. Related party transactions

In accordance with the exemption allowed by Financial Reporting Standard 102 transactions with Group companies have not been disclosed in these financial statements.

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the company was £101,336 (2016: £236,095).

### 23. Controlling party

The Company's immediate undertaking is mGage LLC a company incorporated in the USA. Consolidated financial statements are available from the registered office at 3424 Peachtree Road Northeast, Suite 400 & 405, Atlanta, GA 30326.

The company's ultimate parent undertaking is Vivial Inc., a company incorporated in USA. The registered office is 160 Inverness Drive West, Suite 250, Englewood, CO 80112.