

Company Registration No. 09005942 (England and Wales)

**DIGITAL PAYMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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# DIGITAL PAYMENTS LIMITED

## COMPANY INFORMATION

**Directors** Mikhail Raskin (appointed 2 May 2014)

**Secretary** International Registrars Limited

**Company number** 09005942

**Registered office** 3000 Hillswood Drive  
Hillswood Business Park  
Chertsey, KT16 0RS,  
United Kingdom

**Solicitors** SBP Law  
Glade House  
52-54 Carter Lane  
London  
EC4V 5EF

# DIGITAL PAYMENTS LIMITED

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# DIGITAL PAYMENTS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

### Principal activities and fair review of the business

Digital Payments Plc ("DPP") was incorporated on 22 April 2014 as a limited company and re-registered as a public company on 8 May 2014. DPP was a GXG-listed public-liability company established to seek investment and acquisition opportunities in payment transaction and the message-processing services sector. DPP is a vertically integrated payments processor and program manager that specializes in prepaid solutions and is associated with a number of issuers working in Europe, North America, South America and the Middle East. Through our fully owned subsidiary, M2 Payment Solutions, we have 25 years of experience in payment solutions and processing, having successfully launched more than 250 programs for our clients.

The company has now de-listed from GXG and re-registered as a private company on 15 May 2017.

The Group made a loss of £1,066,000 for the year. The directors realise that there has been a cash burn in building the process and platforms of the business, they consider that the group has adequate resources for ongoing operating expenses due to the revenues now been generated from the operations.

### Principal risks and uncertainties

The group faces risks from economic factors, fluctuations in exchange rates and the ability to secure future investments. Further discussion on risk and sensitivity analysis is discussed within note 4.

### Key performance indicators

The performance indicators relative to revenue and gross margin follows. There was no significant capital expenditure in the year. There are no non-financial performance indicators being used at present. Salient points are:

	2017	2016
Group turnover	£2,112,000	£2,761,000
Loss for the year	£1,066,000	£850,000
Cash and Cash equivalents	£254,000	£1,782,000

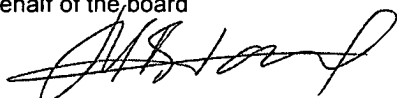
### Dependence on key personnel

Whilst the Group intends to enter into contractual arrangements with the aim of securing the services of its executive Directors, the retention of their services cannot be guaranteed.

### Future developments

The company is continuing to grow and develop its business.

On behalf of the board



Mikhail Raskin  
Director

24 May 2019

# DIGITAL PAYMENTS LIMITED

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

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

### Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### Directors

The following directors have held office during the year:

Mikhail Raskin (appointed 2 May 2014)

### Financial risk and management of capital

The major balances and financial risks to which the Group is exposed to and the controls in place to minimise those risks are disclosed in Note 4.

A description of how the group manages its capital is also disclosed in Note 4.

The Board considers and reviews these risks on a strategic and day-to-day basis in order to minimise any potential exposure.

### Financial instruments

The group has not entered into any financial instruments to hedge against interest rate or exchange rate risk.

### Statement of directors' responsibilities

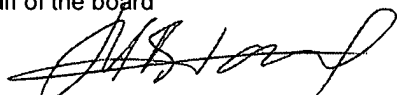
The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union
- 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 group. They are also responsible for safeguarding the assets of the company and the group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



**Mikhail Raskin**  
Director

24 May 2019

# DIGITAL PAYMENTS LIMITED

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

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Continuing operations</b>			
Revenue	5	2,112	2,761
Cost of sales		(73)	(91)
<b>Gross profit</b>		<b>2,040</b>	<b>2,670</b>
Administrative expenses	6	(3,106)	(3,555)
<b>Operating loss</b>	6	<b>(1,066)</b>	<b>(885)</b>
Impairment of intangibles		-	-
Other income		-	39
Loss on ordinary activities before taxation		<b>(1,066)</b>	<b>(846)</b>
Income tax credit	8	-	(4)
<b>Loss for the year attributable to the owners of the parent</b>		<b>(1,066)</b>	<b>(850)</b>
Loss per share (expressed in pence per share)	10	<b>(0.19)p</b>	<b>(0.15)p</b>

The notes on pages 10 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		As at 31 December 2017 £'000	As at 31 December 2016 £'000 Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	10,904	11,312
Property, Plant & Equipment	12	317	574
Investments	13	-	181
		11,221	12,067
<b>Current assets</b>			
Trade and other receivables	15	1,463	4,509
Cash and cash equivalents	16	254	1,782
		1,717	6,291
<b>Total assets</b>		<b>12,938</b>	<b>18,358</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary shares	17	5,596	5,596
Share premium		11,468	11,468
Foreign exchange Reserve		(670)	(32)
Retained losses	18	(10,159)	(9,071)
<b>Total equity</b>		6,235	7,961
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	3,214	6,680
Borrowings	20	430	658
		3,644	7,338
<b>Non-current liabilities</b>			
Deferred tax liability	14	3,059	3,059
Loans		-	-
		3,059	3,059
<b>Total liabilities</b>		6,703	10,397
<b>Total equity and liabilities</b>		<b>12,938</b>	<b>18,358</b>

The company is exempt from the requirements relating to preparing audited accounts in accordance with section 477 of the Companies Act 2006.

The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The notes on pages 10 to 25 form part of these financial statements.

Approved by the Board and authorised for issue on 24 May 2019.

Mikhail Raskin  
Director



Company Registration No. 09005942

# DIGITAL PAYMENTS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	As at 31 December 2017 £'000	As at 31 December 2016 £'000 Restated
<b>Assets</b>			
<b>Non-current assets</b>			
Intangibles	11	121	121
Investments	13	10,206	10,217
		10,327	10,338
<b>Current assets</b>			
Other receivables	15	663	73
Cash and cash equivalents	16	205	(78)
		868	(5)
<b>Total assets</b>		<b>11,195</b>	<b>10,333</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Ordinary shares	17	5,596	5,596
Share premium		11,468	11,468
Retained losses	18	(7,419)	(7,323)
<b>Total equity</b>		<b>9,645</b>	<b>9,741</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,550	592
<b>Total liabilities</b>		<b>1,550</b>	<b>592</b>
<b>Total equity and liabilities</b>		<b>11,195</b>	<b>10,333</b>

The notes on pages 10 to 25 form part of these financial statements.

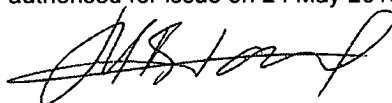
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The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

Approved by the Board and authorised for issue on 24 May 2019.

Mikhail Raskin  
**Director**  
 Company Registration No. 09005942



# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017	Year ended 31 December 2016
	Notes	£'000	£'000
<b>Net cash utilised by operating activities</b>	<b>21</b>	<b>(1,407)</b>	<b>2,203</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		-	<b>(417)</b>
Cash acquired on purchase of subsidiaries		-	-
Purchases of intangible assets	<b>11</b>	<b>(121)</b>	<b>(121)</b>
Purchase of investments		-	-
<b>Net cash flows from investing activities</b>		<b>(1,528)</b>	<b>(538)</b>
<b>Cash flows from financing activities</b>			
New loan		-	-
Issue of ordinary share capital		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,528)</b>	<b>1,665</b>
Cash and cash equivalents at the beginning of the year		1,782	117
<b>Cash and cash equivalents at end of year</b>		<b>254</b>	<b>1,782</b>

During the prior year the group issued ordinary share capital to acquire its subsidiaries. Refer to Note 13 for details.

The notes on pages 10 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December 2017	Year ended 31 December 2016
	Notes	£'000	£'000
<b>Net cash utilised by operating activities</b>	<b>21</b>	<b>283</b>	<b>(70)</b>
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	11	-	(36)
Acquisition of subsidiaries		-	-
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>(36)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		-	-
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>283</b>	<b>(106)</b>
Cash and cash equivalents at the beginning of the year		(78)	28
<b>Cash and cash equivalents at end of year</b>		<b>205</b>	<b>(78)</b>

During the prior year the company issued ordinary share capital to acquire its subsidiaries. Refer to Note 13 for details.

The notes on pages 10 to 25 form part of these financial statements.

## DIGITAL PAYMENTS LIMITED

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

Notes	Share capital £'000	Share premium £'000	Accumulated deficit £'000	Foreign exchange reserve £'000	Total equity £'000
<b>As at 31 December 2015</b>	<b>5,596</b>	<b>11,468</b>	<b>(8,220)</b>	<b>26</b>	<b>8,870</b>
Foreign exchange differences	-	-	-	(58)	(58)
Loss for the year	-	-	(851)	-	(851)
<b>As at 31 December 2016</b>	<b>5,596</b>	<b>11,468</b>	<b>(9,071)</b>	<b>(32)</b>	<b>7,961</b>
Foreign exchange differences	-	-	(22)	638	(660)
Loss for the year	-	-	(1,066)	-	(1,066)
<b>As at 31 December 2017</b>	<b>5,596</b>	<b>11,468</b>	<b>(10,159)</b>	<b>(670)</b>	<b>6,235</b>

Share capital is the amount subscribed for shares at nominal value.

Share premium is the amount subscribed for share capital in excess of nominal value.

Accumulated deficit represent the cumulative loss of the group attributable to equity shareholders.

The notes on pages 10 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

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

	Notes	Share capital £'000	Share premium £'000	Accumulated deficit £'000	Total equity £'000
<b>As at 31 December 2015</b>		<b>5,596</b>	<b>11,468</b>	<b>(7,250)</b>	<b>9,814</b>
Foreign exchange differences		-	-	-	-
Loss for the year		-	-	(73)	(73)
<b>As at 31 December 2016</b>		<b>5,596</b>	<b>11,468</b>	<b>(7,323)</b>	<b>9,741</b>
Foreign exchange differences		-	-	-	-
Loss for the year		-	-	(96)	(96)
<b>As at 31 December 2017</b>		<b>5,596</b>	<b>11,468</b>	<b>(7,419)</b>	<b>9,645</b>

Share capital is the amount subscribed for shares at nominal value.

Share premium is the amount subscribed for share capital in excess of nominal value.

Accumulated deficit represent the cumulative loss of the group attributable to equity shareholders.

The notes on pages 10 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

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

### 1 General information

Digital Payments Limited ('the company') and its subsidiaries (together, 'the group') is a vertically integrated payments processor and program manager that specializes in prepaid solutions. The group is primarily based in the United Kingdom and North America. The address of the registered office is disclosed on the company information page at the front of the annual report.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated statement of Digital Payments Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

#### Preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

Reference	Title	Summary	Application date of standard
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2018
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more informative and relevant disclosures	Periods commencing on or after 1 January 2018
IFRS 16	Leases	IFRS 16 Leases published	Periods commencing on or after 1 January 2019
IFRS 17	Insurance Contracts	IFRS 17 Insurance Contracts	Periods commencing on or after 1 January 2021
IAS 40	Investment property	Amendment regarding the transfer of property	Periods commencing on or after 1 January 2018

The Directors anticipate that the adoption of these standard and the interpretations in future year will have no material impact on the financial statements of the group.

# DIGITAL PAYMENTS LIMITED

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

### 2.2 Consolidation

#### (a) Subsidiaries

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

#### (b) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

# DIGITAL PAYMENTS LIMITED

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

### 2.4 Financial assets and liabilities

The group classifies its financial assets at fair value through profit and loss or as loans and receivables and classifies its financial liabilities as other financial liabilities. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when the funds are advanced to customers. Loans and receivables are carried at amortised cost using the effective interest method (see below).

#### (b) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments. Other financial liabilities are recognised when cash is received from the depositors. Other financial liabilities are carried at amortised cost using the effective interest method. The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the Statement of Financial Position date.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership. In a transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

#### *Amortised cost measurement*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

#### *Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

# DIGITAL PAYMENTS LIMITED

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

### 2.5 Revenue

Revenue comprises of commissions and fees which are generally recognised on the accruals basis when the service has been provided.

### 2.6 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 2.7 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

### 2.09 Income tax expense

Current income tax which is payable on taxable profits is recognised as an expense in the year in which the profits arise.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.10 Investments in subsidiaries

Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

### 2.11 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

# DIGITAL PAYMENTS LIMITED

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

### 2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

Computer equipment	33%
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Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the year in which the asset is derecognised.

### 2.13 Research and Development

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

### 2.14 Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their functional currency) are recorded at rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit and loss.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

# DIGITAL PAYMENTS LIMITED

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

### 3 Critical accounting estimates and judgments

The group makes certain judgements and estimates which affect the reported amount of assets and liabilities. Critical judgements and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.1 Impairment of loans and advances to customers and other receivables

The group reviews its portfolio of receivables to assess impairment at least on a half-yearly basis. The basis for evaluating impairment losses is determining whether a loss event has occurred, the criteria used (but which is not limited to) is:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experience by the borrower; and
- Initiation of liquidation proceedings.

In determining whether an impairment loss should be recognised the group makes judgements as to whether there a loss event indicates that there is a measurable decrease in the estimated future cash flows of the respective receivable.

No impairment provision has been made against loans and advances to customers or other receivables during the year.

### 4 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

#### 4.1 Financial risk factors

The group's activities may expose it to a variety of financial risks: foreign exchange risk, and credit risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

##### a) Foreign exchange risk

The group incurs expenses subject to foreign currency fluctuations.

##### b) Credit risk

The group take on exposure to credit risk, which is this risk that the counterparty will be unable to pay amounts in full when due. A Credit Risk Policy has been agreed by the Board who review credit risk on a monthly basis. Exposure to credit risk is managed through regular analysis of the ability of customers to settle debts and by changing their credit limits when appropriate. The directors therefore believe there is a low risk of customer default.

The maximum exposure to credit risk for the Group was as follows:

# DIGITAL PAYMENTS LIMITED

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

### 4 Financial risk management (Continued)

	Group	Company	Group	Company
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Credit risk exposure relating to on-balance sheet assets are as follows:				
Other debtors	107	81	2,885	-
Intercompany debtors	(641)	(582)	(647)	(49)
Accounts receivable	1,355	582	1,624	73
<b>At 31 December</b>	<b>821</b>	<b>81</b>	<b>3,861</b>	<b>24</b>

c) Interest rate risk

The group is not exposed to significant interest rate risk as it did not have any interest bearing liabilities during the year.

d) Liquidity risk

Liquidity risk is the risk that group will encounter difficulty in meeting these obligations associated with financial liabilities.

The responsibility for liquidity risks management rest with the Board of Directors, which has established appropriate liquidity risk management framework for the management of the group's short term and long-term funding risks management requirements.

During the year under review, the group has not utilised any borrowing facilities.

The group manages liquidity risks by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

e) Capital risk

The group takes great care to protect its capital investments. Significant due diligence is undertaken prior to making any investment. The investment is closely monitored.

f) Market risk

The group may operate in different geographical markets. A general economic downturn at a global level, or in one of the world's leading economies, could impact on the group. In addition, terrorism and other hostilities, as well as disturbances in worldwide financial markets, could have a negative effect on the group. Regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies could also limit the group 's operations. These risks are also applicable to most companies and the risk that group will be more affected than the majority of companies is assessed as small.

# DIGITAL PAYMENTS LIMITED

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

### 4 Financial risk management (Continued)

#### 4.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure appropriate for its growth plans.

In order to maintain or adjust the capital structure the group may issue new shares or alter debt levels.

### 5 Segment information

The group's management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. They consider the business from a geographical perspective and the group has two reportable segments, the UK and the US.

During the year there were no external customers who accounted for over 10% of the group's revenue.

<u>For the year ended 31 December 2017:</u>	<b>UK £'000</b>	<b>US £'000</b>	<b>Total £'000</b>
<i>Segment revenue and results</i>			
Reportable revenue	-	2,112	2,112
Revenue from external customers	-	2,112	2,112
Reportable segment results			
Loss before taxation	(96)	(970)	(1,066)
<i>Segment assets and liabilities</i>			
Reportable segment assets	12,315	623	12,938
Consolidated total assets			12,938
Reportable segment liabilities	(5,228)	(1,475)	(6,703)
Consolidated total liabilities			(6,703)
<i>Other segment information</i>			
Depreciation	-	266	266
<u>For the year ended 31 December 2016:</u>	<b>UK £'000</b>	<b>US £'000</b>	<b>Total £'000 Restated</b>
<i>Segment revenue and results</i>			
Reportable revenue	279	2,482	2,761
Revenue from external customers	279	2,482	2,761
Reportable segment results			
Loss before taxation	(846)	-	(846)
<i>Segment assets and liabilities</i>			
Reportable segment assets	17,418	940	18,358
Consolidated total assets			18,358
Reportable segment liabilities	(9,210)	(1,187)	(10,397)
Consolidated total liabilities			(10,397)
<i>Other segment information</i>			
Depreciation	-	199	199

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 6 Operating loss and expenses by nature

	2017 £'000	2016 £'000
Operating loss is stated after crediting / (charging):		
Foreign exchange gains	-	39
Total other income	-	39
Employment and related costs	(1,612)	(1,445)
Travel	(81)	(81)
Legal and professional	(133)	(106)
Audit fees	(18)	(28)
Depreciation	(266)	(119)
Amortisation of intangibles	(397)	(398)
Other expenses	(599)	(1,379)
Total administrative expenses	(3,106)	(3,555)

#### 7 Employee benefit expense

	2017 £'000	2016 £'000
Employees and Directors		
Wages and salaries	1,429	1,342
Social security costs	183	103
	1,612	1,445

The average monthly number of employees (including directors) during the year was:

	2017 Number	2016 Number
Directors	1	2
Operations	35	30
	36	32

During the year directors emoluments were £176,000 (2016: £132,000) and consisted of salaries.

# DIGITAL PAYMENTS LIMITED

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

### 8 Taxation

	2017 £'000	2016 £'000
Current tax expense		-
Deferred tax credit on amortisation of intangible	-	-
	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	(1,066)	(846)
	<u>(1,066)</u>	<u>(846)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20%	(213)	(169)
Effects of:		
Non-deductible expenses	-	-
Tax losses carried forward	213	169
	<u>213</u>	<u>169</u>
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

The group has estimated tax losses of £666,000 (2016: £453,000) available for carry forward against future trading profits.

### 9 Loss of Parent Company

As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £96,000 (2016: £73,000).

# DIGITAL PAYMENTS LIMITED

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

### 10 Earnings per share

	2017	2016
Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year:		
Loss after tax attributable to equity holders of the group	£1,066,134	£850,588
Weighted average number of ordinary shares	559,619,362	559,619,362
Basic and diluted loss per share	(0.19p)	(0.15p)

There were no potential dilutive shares in issue during the year.

### 11 Intangible assets

#### Group

	Goodwill £'000	Development £'000	Total £'000
<b>Cost</b>			
At 31 December 2016	21,127	121	21,248
Additions	-	-	-
At 31 December 2017	21,127	121	21,248
<b>Impairment</b>			
At 31 December 2016	9,208	-	9,208
Change for the period	-	-	-
At 31 December 2017	9,208	-	9,208
<b>Amortisation</b>			
At 31 December 2016	728	-	728
Change for the period	408	-	-
At 31 December 2017	1,136	-	728
<b>Carrying Amount</b>			
At 31 December 2016	11,191	121	11,312
At 31 December 2017	10,783	121	10,904

The above additions for goodwill represent the goodwill on acquisition of the company's subsidiary undertakings referred to in Note 13.

# DIGITAL PAYMENTS LIMITED

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

<b>12</b>	<b>Property, plant and equipment Group</b>	<b>Computer equipment £'000</b>
	<b>Cost</b>	
	At 31 December 2016	375
	Additions	460
	At 31 December 2017	835
	<b>Accumulated depreciation</b>	
	At 31 December 2016	199
	Additions	319
	At 31 December 2017	518
	<b>Carrying amount</b>	
	At 31 December 2016	574
	At 31 December 2017	317
<b>13</b>	<b>Investments</b>	
	<b>Group</b>	<b>Shares in other investments £'000</b>
	<b>Cost</b>	
	At 31 December 2016	181
	Additions	(181)
	At 31 December 2017	-
	<b>Investment in subsidiary undertakings</b>	
	<b>Company</b>	<b>Shares in group undertakings £'000</b>
	<b>Cost</b>	
	At 31 December 2016	10,217
	Additions	-
	At 31 December 2017	10,217

# DIGITAL PAYMENTS LIMITED

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

The company held the following subsidiaries as at 31 December 2017:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by company and group (%)
Muscato Group Inc	Florida, USA	Holding company	100
M2Reinc II LLC	Florida, USA	Dormant	100*
M2 Payment Solutions Inc	Florida, USA	Payment products and services	100
M2 International Ltd	Antigua	Dormant	100
M2 Europe Ltd	Isle of Man	Dormant	100
M2 Financial Ltd	Antigua	Dormant	100
M2 Financial LLC	Florida, USA	Dormant	100

### 14 Deferred tax

Deferred tax is calculated in full as temporary differences under the liabilities method using a tax rate of 20%.

The movement on the deferred tax account is shown below:

	2017 £'000	2016 £'000
<b>Cost</b>		
At Beginning	(3,059)	-
Arising on business combination	-	(5,385)
Recognised in profit and loss		
Tax credit	-	2,326
At 31 December	(3,059)	(3,059)

# DIGITAL PAYMENTS LIMITED

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

### 15 Trade and other receivables

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000 Restated	Company 2016 £'000 Restated
Other receivables	108	81	2,885	-
Prepayments	-	-	-	-
Accounts receivables	1,355	582	1,624	73
	<u>1,463</u>	<u>663</u>	<u>4,509</u>	<u>73</u>

The carrying amount of trade and other receivables approximates to their fair value.

### 16 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at banks and on hand and deposits with banks. Cash and cash equivalents at the end of the reporting year as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

	Company 2017 £'000	Group 2017 £'000	Company 2016 £'000	Group 2016 £'000
Cash and cash equivalents	<u>205</u>	<u>254</u>	<u>(78)</u>	<u>1,782</u>

The carrying amount of cash and cash equivalents approximates to its fair value.

### 17 Share capital

	2017 £'000	2016 £'000
<b>Allotted, called up and fully paid</b>		
559,619,362 Ordinary shares of £0.01 each	<u>5,596</u>	<u>5,596</u>

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) right; they do not confer any rights of redemption.

### 18 Retained earnings

	2017 Group £'000	2017 Company £'000	2016 Group £'000	2016 Company £'000
Beginning of the period	(9,071)	(7,323)	(8,220)	(7,250)
Foreign exchange differences	(22)	-		
Loss for the year	(1,066)	(96)	(851)	(73)
<b>End of the period</b>	<u>(10,159)</u>	<u>(7,419)</u>	<u>(9,071)</u>	<u>(7,323)</u>

# DIGITAL PAYMENTS LIMITED

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

### 19 Trade and other payables

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000 Restated	Company 2016 £'000 Restated
Trade payables	1,532	107	218	(220)
Accruals and deferred income	65	-	109	-
Intercompany payables	641	582	648	49
Other payables	976	862	5,704	763
	<u>3,214</u>	<u>1,551</u>	<u>6,679</u>	<u>592</u>

Accruals principally comprise amounts outstanding for ongoing expenses. The carrying amount of other payables approximates to its fair value. The comparatives for intercompany payables have been restated as they were previously presented under Trade and other receivables.

### 20 Borrowings

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
<b>Current Liabilities</b>				
Finance lease liabilities	430	-	658	-
Other borrowings	-	-	-	-
	<u>430</u>	<u>-</u>	<u>658</u>	<u>-</u>
		Minimum lease payments £'000	Interest £'000	Present Value of payments £'000
<b>2016 and 2017</b>				
Not later than one year		308	48	356
Later than one year and not later than five years		652	59	711
		<u>960</u>	<u>107</u>	<u>1067</u>

# DIGITAL PAYMENTS LIMITED

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

### 21 Cash utilised by operations

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000 Restated	Company 2016 £'000 Restated
<b>Reconciliation to cash generated from operations</b>				
Loss before taxation	(1,066)	(96)	(851)	(73)
Adjustments for:				
-Impairment of intangible/ investment in subsidiary				
- Depreciation	306	-	199	-
-Amortisation of intangibles				
-Other adjustments	-	-	-	-
Changes in working capital:				
- Increase in trade and other receivables	3,046	(590)	(1,401)	191
- Increase/ (decrease) in trade and other payables	(3,693)	969	4,256	(188)
	<u>(1,407)</u>	<u>283</u>	<u>2,203</u>	<u>(70)</u>

The comparatives for intercompany payables have been restated as they were previously presented under Trade and other receivables.

### 22 Control

There are no persons with significant control for this company.

### 23 Related party transactions

There were no related party transactions during the year.

### 24 Contingent liabilities

The group has no contingent liabilities in respect of legal claims arising from the ordinary course of business.

### 25 Capital commitments

There was no capital expenditure contracted for at the end of the reporting year but not yet incurred.

### 26 Events after the reporting year

There were no significant events occurring after the year end.

# DIGITAL PAYMENTS LIMITED

## ACCOUNTANTS' REPORT TO THE MEMBERS OF DIGITAL PAYMENTS LIMITED

### **Chartered Accountants' report to the board of directors on the preparation of the unaudited statutory accounts of Digital payments Limited for the year ended 31 December 2017**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the accounts of Digital Payments Limited for the year ended 31 December 2017 which comprise of the Statement of comprehensive income, the Statement of financial position, the statement of cashflows, the statement of changes in equity and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales, we are subject to its ethical and other professional requirements which are detailed at [icaew.com/membershandbook](http://icaew.com/membershandbook).

This report is made solely to the Board of Directors of Digital Payments Limited, as a body, in accordance with the terms of our engagement letter dated 23 April 2019. Our work has been undertaken solely to prepare for your approval the accounts of Digital Payments Limited and state those matters that we have agreed to state to the Board of Directors of Digital Payments Limited, as a body, in this report in accordance with AAF 2/10 as detailed at [icaew.com/compilation](http://icaew.com/compilation). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Digital Payments Limited and its Board of Directors as a body for our work or for this report.

It is your duty to ensure that Digital Payments Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and loss of Digital Payments Limited. You consider that Digital Payments Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the accounts of Digital Payments Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.



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MAH, Chartered Accountants

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24 May 2019