

Company Registration No. 09005942 (England and Wales)

**DIGITAL PAYMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

TUESDAY



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# DIGITAL PAYMENTS LIMITED

## COMPANY INFORMATION

<b>Directors</b>	Michael Muscato (appointed 15 January 2015 and resigned 22 May 2017) Mikhail Raskin (appointed 2 May 2014)
<b>Secretary</b>	International Registrars Limited
<b>Company number</b>	09005942
<b>Registered office</b>	3000 Hillswood Drive Hillswood Business Park Chertsey, KT16 0RS, United Kingdom
<b>Solicitors</b>	SBP Law Glade House 52-54 Carter Lane London EC4V 5EF

# DIGITAL PAYMENTS LIMITED

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# DIGITAL PAYMENTS LIMITED

## CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2015

I am pleased to be able to report on this my second year as Chairman of Digital Payments plc and on our second year of trading for the year ended 31 December 2015.

In the year just ended, we have sought to stabilise the Company and to integrate the various acquisitions which we completed in 2014. Unfortunately, the Main Quote which we obtained on the Danish GXG Market, was lost due to the market losing their regulatory status. For the time being we will keep the Company as an unlisted public company.

M2 continues to operate under its current brand and business structure; adding more functionality and resources to build on its global market presence. Within the Group we have a superb team of prepaid and payment industry people and I am proud that we are part of the same team.

For our first year of operations I reported on a loss of £8,168,000. I explained that the figure contained significant expenditure on research and development and one off costs for the acquisitions and admission to the GXG market. In our second year of trading on increased revenues of £2,932,000 the Group made a loss of £52,000 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.

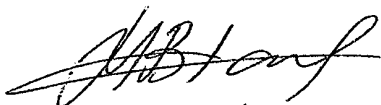
The Company however will not be making a dividend payment this year.

### Outlook

Our businesses has great opportunities in the forthcoming year together with strong and energetic management in place to drive it forward. M2 has made a very encouraging start to the year and is set for further growth.

We are also in discussions to form a number of strategic regional marketing partnerships, which will allow us to switch from passive to proactive marketing model on a global scale.

I am very encouraged both by our business opportunities and the start we have made to the current year.



**Mikhail Raskin**  
Director

21 November 2017

# DIGITAL PAYMENTS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

### 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 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 £52,000 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:

	2015	2014
Group turnover	£2,932,000	731,000
Loss for the year	£52,000	£8,168,000
Cash and Cash equivalents	£117,000	£63,000

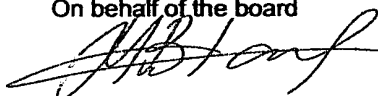
### Dependence on key personnel

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

21 November 2017

# DIGITAL PAYMENTS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and financial statements for the year ended 31 December 2015.

### 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:

Michael Muscato (appointed 15 January 2015 and resigned 22 May 2017)

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

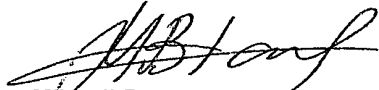
The directors are responsible for preparing the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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

21 November 2017

# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Continuing operations</b>			
Revenue	5	2,932	731
Cost of sales		(229)	(192)
<b>Gross profit</b>		<b>2,703</b>	<b>539</b>
Administrative expenses	6	(2,762)	(1,508)
<b>Operating loss</b>	6	<b>(59)</b>	<b>(969)</b>
Impairment of intangibles		-	(9,208)
Other income		7	101
Loss on ordinary activities before taxation		<b>(52)</b>	<b>(10,076)</b>
Income tax credit	8	-	1,908
<b>Loss for the year attributable to the owners of the parent</b>		<b>(52)</b>	<b>(8,168)</b>
Loss per share (expressed in pence per share)	10	(0.01)p	(2.28)p

The notes on pages 11 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	As at 31 December	
		2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	11,275	11,615
Property, Plant & Equipment	12	350	33
Investments	13	181	181
		11,806	11,829
<b>Current assets</b>			
Trade and other receivables	15	3,108	432
Cash and cash equivalents	16	117	63
		3,225	495
<b>Total assets</b>		<b>15,031</b>	<b>12,324</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		26	-
Retained losses	18	(8,220)	(8,168)
<b>Total equity</b>		8,870	8,896
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	2,781	1,090
Borrowings	20	300	21
		3,081	1,111
<b>Non-current liabilities</b>			
Deferred tax liability	14	2,317	2,317
Loans		763	-
		3,080	2,317
<b>Total liabilities</b>		6,161	3,428
<b>Total equity and liabilities</b>		<b>15,031</b>	<b>12,324</b>

The notes on pages 11 to 25 form part of these financial statements.

Approved by the Board and authorised for issue on 21 November 2017.

  
 Mikhail Raskin  
 Director

Company Registration No. 09005942

# DIGITAL PAYMENTS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		As at 31 December	
	Notes	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangibles	11	84	27
Investments	13	10,217	10,217
		<u>10,301</u>	<u>10,244</u>
<b>Current assets</b>			
Other receivables	15	265	266
Cash and cash equivalents	16	28	5
		<u>293</u>	<u>271</u>
<b>Total assets</b>		<u><b>10,594</b></u>	<u><b>10,515</b></u>
<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	(7,250)	(7,276)
<b>Total equity</b>		<u><b>9,814</b></u>	<u><b>9,788</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	780	727
<b>Total liabilities</b>		<u><b>780</b></u>	<u><b>727</b></u>
<b>Total equity and liabilities</b>		<u><b>10,594</b></u>	<u><b>10,515</b></u>

The notes on pages 11 to 25 form part of these financial statements.

Approved by the Board and authorised for issue on 21 November 2017.

  
Mikhail Raskin  
Director

Company Registration No. 09005942

# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	Notes	£	£
<b>Net cash utilised by operating activities</b>	<b>21</b>	(709)	90
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		-	(4,985)
Cash acquired on purchase of subsidiaries		-	37
Purchases of intangible assets	11	-	(27)
Purchase of investments		-	(181)
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>(5,156)</u>
<b>Cash flows from financing activities</b>			
New loan		763	-
Issue of ordinary share capital		-	5,129
<b>Net cash flows from financing activities</b>		<u>763</u>	<u>5,129</u>
<b>Net increase in cash and cash equivalents</b>		<u>54</u>	<u>63</u>
Cash and cash equivalents at the beginning of the year		63	-
<b>Cash and cash equivalents at end of year</b>		<u>117</u>	<u>63</u>

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

The notes on pages 11 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	Notes	£	£
<b>Net cash utilised by operating activities</b>		80	127
<b>Cash flows from investing activities</b>			
Purchases of intangible assets	11	(57)	(27)
Acquisition of subsidiaries		-	(5,224)
<b>Net cash flows from financing activities</b>		<u>(57)</u>	<u>(5,251)</u>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		-	5,129
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>5,129</u>
<b>Net increase in cash and cash equivalents</b>		<u>23</u>	<u>5</u>
Cash and cash equivalents at the beginning of the year		5	-
<b>Cash and cash equivalents at end of year</b>		<u>28</u>	<u>5</u>

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

The notes on pages 11 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Notes	Share capital	Share premium	Accumulated deficit	Foreign exchange reserve	Total equity
	£	£	£	£	£
<b>As at 22 April 2014</b>	-	-	-	-	-
Shares issued during the year	5,596	11,468	-	-	17,064
Loss for the year	-	-	(8,168)	-	(8,168)
<b>As at 31 December 2014</b>	<b>5,596</b>	<b>11,468</b>	<b>(8,168)</b>	-	<b>8,896</b>
Foreign exchange differences	-	-	-	26	26
Loss for the year	-	-	(52)	-	(52)
<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>

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 11 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Notes	Share capital £	Share premium £	Accumulated deficit £	Total equity £
As at 22 April 2014	-	-	-	-
Shares issued during the year	5,596	11,468	-	17,064
Loss for the year	-	-	(7,276)	(7,276)
As at 31 December 2014	<u>5,596</u>	<u>11,468</u>	<u>(7,276)</u>	<u>9,788</u>
Loss for the year	-	-	26	26
As at 31 December 2015	<u>5,596</u>	<u>11,468</u>	<u>(7,250)</u>	<u>9,814</u>

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 11 to 25 form part of these financial statements.

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 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.

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 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 2015 and have not been early adopted:

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	1 January 2016
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures.	1 January 2017
Amendments to IFRS 11	Joint arrangements	On acquisitions of interest in joint operations	1 January 2016
Amendments to IAS 16 and IAS 41	IAS 16: Property plant and equipment and IAS 41: Agriculture	On Bearer plants	1 January 2016
Amendments to IAS 16 and IAS 38	Intangible Assets	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27	Separate financial statements	Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28	IFRS 10: Consolidated financial and IAS 28: Investments in Associates	Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IFRS 10 and IAS 28	IFRS 10: Consolidated financial and IAS 28: Investments in Associates	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 1	Presentation of Financial statements	Disclosure Initiative	1 January 2016
Improvements to IFRS 5	Non current assets held for sale and discontinued operations	Methods of disposal	1 January 2016
Improvements to IFRS 7	Financial instruments	Disclosures on servicing contracts and interim financial statements	1 January 2016
Improvements to IAS 19	Employee benefits	Determining the discount rates for post-employment obligations	1 January 2016
Improvements to IAS 34	Interim financial reporting	Information disclosed elsewhere in the interim financial report	1 January 2016
IFRS 9	Financial instruments	Requirements on the classification and measurement of financial assets and liabilities and includes an expected credit losses model which replaces the current incurred loss impairment model. Also includes the hedging amendment that was issued in 2013	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 2015

### 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 2015

### 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 2015

### 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.

### 2.10 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.

### 2.11 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.

### 2.12 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 2015

### 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 2015

### 4 Financial risk management (Continued)

	Group	Company	Group	Company
	2015	2015	2014	2014
	£000	£000	£000	£000
Credit risk exposure relating to on-balance sheet assets are as follows:				
Other debtors	2,402	-	78	12
Intercompany debtors	-	181	-	198
Accounts receivable	682	84	343	55
<b>At 31 December</b>	<b>3,084</b>	<b>265</b>	<b>421</b>	<b>265</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 2015

### 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 three external customers who each accounted for over 10% of the group's revenue. The total amounts for each were £13,000, £8,800 and £7,500.

<u>For the year ended 31 December 2015:</u>	<b>UK £'000</b>	<b>US £'000</b>	<b>Total £'000</b>
<i>Segment revenue and results</i>			
Reportable revenue	682	2,250	2,932
Revenue from external customers	682	2,250	2,932
<i>Reportable segment results</i>			
Loss before taxation	(52)	-	(52)
<i>Segment assets and liabilities</i>			
Reportable segment assets	1,599	13,432	15,031
Consolidated total assets			15,031
Reportable segment liabilities	(4,130)	(2,031)	(6,161)
Consolidated total liabilities			(6,161)
<i>Other segment information</i>			
Capital expenditure	57	-	57
Depreciation	-	44	44

### 6 Operating loss and expenses by nature

	<b>2015 £'000</b>	<b>2014 £'000</b>
Operating loss is stated after crediting / (charging):		
Foreign exchange gains	7	101
Total other income	7	101
Employment and related costs	(1,451)	(550)
Travel	(85)	(82)
Legal and professional	(20)	(436)
Audit fees	(55)	(6)
Depreciation	(44)	(5)
Amortisation of intangibles	(398)	(331)
Other expenses	(709)	(98)
Total administrative expenses	(2,762)	(1,508)

## DIGITAL PAYMENTS LIMITED

### 7 Employee benefit expense

	2015 £'000	2014 £'000
Employees and Directors		
Wages and salaries	1,380	525
Social security costs	71	25
	1,451	550

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

	2015 Number	2014 Number
Directors	2	3
Operations	30	30
	33	33

During the year directors emoluments were £132,000 (2014: 47,000) and consisted of salaries.

### 8 Taxation

	2015 £'000	2014 £'000
Current tax expense		-
Deferred tax credit on amortisation of intangible	-	1,908
	-	1,908
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	(52)	(364)
	(52)	(364)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20%	(10)	(73)
Effects of:		
Non-deductible expenses	-	2
Tax losses carried forward	10	71
	10	73
<b>Current tax charge for the year</b>	-	-

The group has estimated tax losses of £2,028,000 (2014: £1,976,000) 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 £26,000 (2014: 7,276,000).

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 10 Earnings per share

	2015	2014
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	£52,000	£8,168,065
Weighted average number of ordinary shares	559,619,362	358,882,684
Basic and diluted loss per share	(0.01p)	(2.28p)

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 2014	21,127	27	21,154
Additions	-	57	57
At 31 December 2015	21,127	84	21,211
<b>Impairment</b>			
At 31 December 2014	9,208	-	9,208
Change for the period	-	-	-
At 31 December 2015	9,208	-	9,208
<b>Amortisation</b>			
At 31 December 2014	331	-	331
Change for the period	397	-	397
At 31 December 2015	728	-	728
<b>Carrying Amount</b>			
At 31 December 2014	11,588	27	11,615
At 31 December 2015	11,191	84	11,275

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 2015

**12 Property, plant and equipment  
Group**

	<b>Computer equipment £'000</b>
<b>Cost</b>	
At 31 December 2014	53
Additions	371
At 31 December 2015	424
 <b>Accumulated depreciation</b>	
At 31 December 2014	20
Additions	54
At 31 December 2015	74
 <b>Carrying amount</b>	
At 31 December 2014	33
At 31 December 2015	350

**13 Investments**

**Group**

	<b>Shares in other investments £'000</b>
<b>Cost</b>	
At 31 December 2014	181
Additions	-
At 31 December 2015	181

**Investment in subsidiary undertakings**

**Company**

	<b>Shares in group undertakings £'000</b>
<b>Cost</b>	
At 31 December 2014	10,217
Additions	-
At 31 December 2015	10,217

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

The company held the following subsidiaries as at 31 December 2015:

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
Baytron Ltd	UK	Holding company	100
Signia Associates Ltd	UK	Prepaid payroll management	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:

	2015 £'000	2014 £'000
<b>Cost</b>		
At 22 April 2014	-	-
Arising on business combination	(4,225)	(4,225)
Recognised in profit and loss		
Tax credit	1,908	1,908
At 31 December 2014 and 2015	<u>(2,317)</u>	<u>(2,317)</u>

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2015*

### 15 Trade and other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Other receivables	2,402	-	78	12
Prepayments	24	-	11	-
Intercompany receivables	-	181	-	199
Accounts receivables	682	84	343	55
	3,108	265	432	266

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 2015 £'000	Group 2015 £'000	Company 2014 £'000	Group 2014 £'000
Cash and cash equivalents	28	117	5	63

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

### 17 Share capital

	2015 £'000	2014 £'000
<b>Allotted, called up and fully paid</b>		
559,619,362 Ordinary shares of £0.01 each	5,596	5,596

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

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Beginning of the period	(8,168)	(7,276)	-	-
Loss for the year	(52)	26	(8,168)	(7,276)
<b>End of the period</b>	(8,220)	(7,250)	(8,168)	(7,276)

## DIGITAL PAYMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 19 Trade and other payables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade payables	348	118	253	28
Accruals and deferred income	83	-	88	56
Other payables	2,350	662	749	643
	2,781	780	1,090	727

Accruals principally comprise amounts outstanding for ongoing expenses. The carrying amount of other payables approximates to its fair value.

#### 20 Borrowings

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
<b>Current Liabilities</b>				
Finance lease liabilities	21	-	21	-
Other borrowings	279	-	-	-
	300	-	21	-
		Minimum lease payments £'000	Interest £'000	Present Value of payments £'000
<b>2014 and 2015</b>				
Not later than one year		17	1	18
Later than one year and not later than five years		2	1	3
		19	2	21

# DIGITAL PAYMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 21 Cash utilised by operations

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
<b>Reconciliation to cash generated from operations</b>				
Loss before taxation	(52)	26	(10,218)	(7,276)
Adjustments for:				
- Impairment of intangible/ investment in subsidiary			9,208	6,938
- Depreciation	45	-	5	-
- Amortisation of intangibles			331	-
- Other adjustments	4	-	-	-
Changes in working capital:				
- Increase in trade and other receivables	(2,676)	1	(432)	(266)
- Increase in trade and other payables	1970	53	1,196	731
	(709)	80	90	127

### 22 Control

The ultimate controlling party is Andrey Popeta and Vladimir Popeta.

### 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.