LIMITED LIABILITY COMPANY VERIFONE BALTIC

(UNIFIED REGISTRATION NUMBER 40003385807)

ANNUAL REPORT FOR THE PERIOD FROM 1 NOVEMBER 2016 TO 31 OCTOBER 2017

(20th financial year)

PREPARED IN ACCORDANCE WITH THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2018

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General information

Name of the company	Verifone Baltic	
Legal status of the company	Limited liability company	
Unified registration number, place and date of registration	40003385807 Riga, 20 March 1998	
Registered office	Krasta iela 105a, Riga, Latvia, LV-1019	
Board Members	Vikram Kalidindi Varma (Chairman of the Board from 25/01/2018) Albert Yun-Quan Liu (Chairman of the Board until 25/01/2018) Marc Evan Rothman (Board Member) Agris Štikāns (Board Member)	
Branches	Verifone Baltic SIA Lithuania branch Registration No 302458565 Vilnius, 25 November 2009 Ukmerges g. 369A, Vilnius, Lithuania Verifone Baltic SIA Estonia branch Registration No 970612 Tallinn, 26 July 2010 Mõisa tn 4, 13522 Tallinn, Estonia	
Financial year	1 November 2016 – 31 October 2017	
Auditors	Iveta Vimba Latvian Certified Auditor Certificate No. 153	SIA Ernst & Young Baltic Muitas iela 1A, Riga Latvia, LV–1010 Licence No. 17

Management report

The year 2017 was rather successful for Verifone Baltic SIA because notwithstanding the weak economic growth in the country and banking sector and the slight fall in the turnover the Company's position was stable as its turnover reached EUR 5.8 million, which is by 8.4% lower than in the previous year. The results are considered good as the number of customers has grown by more than 10% and more emphasis was put on the lease of terminals and services rather than sales which ensures stable long-term revenue, although in the short term the results are worsening. The profit of Verifone Baltic SIA before corporate income tax was EUR 292 thousand.

The completed replacement of the PC DSS 1.x appliances (devices), started in 2016, resulted in a large turnover increase. The budget for 2018 is smaller than for the previous year.

For over 10 years Verifone Baltic SIA is the leader in the development of smartcard technology solutions on the Latvian, Lithuanian and Estonian markets. The EU SEPA plan facilitated the Company's growth also in 2017. In addition, recent developments related to contactless payments and the new security standard (PA-DSS) give us all grounds to expect good performance in the subsequent years.

In 2005, Verifone Baltic SIA commenced supplying programming services to non-residents - the related companies in Finland, Sweden and Norway, which was highly acknowledged by the Verifone Nordic and Baltic Group. The results for 2017 demonstrate that the demand for programming resources has grown.

In the reporting year, the Company's structure was perfected; both the development and customer service units were improved by introducing new processes in the management scheme which enabled the managers to manage the resources more effectively; accordingly, it enhanced the staff motivation as well as the performance quality. The responsibilities in the financial department were reallocated to effectively fulfil the parent company's requirements for complying with SOX standard.

The Vilnius branch reported very good performance for the year increasing the market share by 5%. The close cooperation with both Swedbank and SEB bank was continued which resulted in a great number of installations in the reporting year.

The Tallinn branch reported a noteworthy sales growth against the previous year. Good relations were established with the banks and cash register vendors as well as with other business partners in the region. The transition to the PA-DSS certified software was completed. An integration of the contactless payment card software with the major cash register suppliers was carried out.

Since the establishment of the Company twenty years ago, we have taken a strong position in our market segment, which ensures our further steady development. This was possible owing to our excellent knowledge, use of new technologies in software development and high-quality equipment and customer service.

The Company's Board has suggested that the profit for the reporting year should be transferred for further development of the Company rather than distributed in dividends.

Financial risk management

The Company's principal financial instrument is operating lease and cash. The main purpose of the financial instrument is to ensure financing for the Company's operations. The Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its operations.

Financial risks

The main financial risks arising from the Company's financial instruments are foreign currency risk and credit risk.

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables and trade payables. The Company is mainly exposed to foreign currency risk of U.S. dollar. The Company's currency risk in U.S. dollars as at 31 October 2017 and 31 October 2016 may be specified as follows:

	31/10/2017	31/10/2016
Financial assets, USD	1 795	3 171
Financial liabilities, USD	555	-
Net balance sheet position in USD	1 240	3 171
Net balance sheet position in EUR	**1 068**	**2 903**

Management report (cont'd)

Credit risk

The Company is exposed to credit risk through its trade receivables and cash. The Company manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimized.

As at 31 October 2017, the balance due from the SEB bank Group to the Company amounted to 16% of the total trade receivables, while the balances due from the StrongPoint Group and the Swedbank Group amounted to 13% and 10% of the total trade receivables respectively

Vikram Kalidindi Varma Chairman of the Board	Marc Evan Rothman Board Member	Agris Štikāns Board Member

Riga, 29 March 2018

Statement of profit or loss

	Piezīme	01/11/2016-31/10/2017 EUR	01/11/2016-31/10/2017 EUR
Net turnover	3	5 796 349	6 284 055
Cost of sales	4	(4 190 530)	(4 376 035)
Gross profit or loss		**1 605 819**	**1 908 020**
Distribution costs	5	(544 108)	(470 560)
Administrative expense	6	(712 332)	(410 228)
Other operating income	7	109 058	60 401
Other operating expense	8	(157 327)	(29 102)
Other interest and similar income:	9	(8 602)	(1 105)
• related companies		(219)	
• other companies		(8 383)	(1 105)
Profit or loss before corporate income tax		**292 508**	**1 057 426**
Income tax expense	10	(61 988)	(171 077)
Profit or loss after corporate income tax		230 520	886 349
Income or expense from changes in deferred tax assets or deferred tax liabilities	10	33 539	(1 893)
Net profit or loss for the reporting year		**264 059**	**884 456**

The accompanying notes form an integral part of these financial statements.

Vikram Kalidindi Varma
Chairman of the Board

Marc Evan Rothman
Board Member

Agris Štikāns
Board Member

Ingūna Ziediņa
CFO

Riga, 29 March 2018

Balance sheet
ASSETS

	Notes	31/10/2016 EUR	31/10/2016 EUR
NON-CURRENT ASSETS			
Intangible assets			
Concessions, patents, licenses, trademarks and similar rights	12	504	1 958
TOTAL		**504**	**1 958**
Property, plant and equipment			
Leasehold improvements	13	332	580
Equipment and machinery	13	90 581	94 969
Other fixtures and fittings, tools and equipment	13	724 984	741 549
TOTAL		**815 897**	**837 098**
Non-current financial assets			
Deferred tax assets	10	1 941	-
TOTAL		**1 941**	**-**
TOTAL NON-CURRENT ASSETS		**818 342**	**839 056**
CURRENT ASSETS			
Inventories	14		
Finished goods and goods for sale		323 889	394 913
TOTAL		**323 889**	**394 913**
Receivables			
Trade receivables	15	186 419	305 427
Receivables from related companies		222 002	122 149
Other receivables	16	96 371	14 950
Prepaid expense	17	38 834	42 832
Accrued income		129 672	66 768
TOTAL		**673 298**	**552 126**
Cash	18	501 867	815 311
TOTAL CURRENT ASSETS		**1 499 054**	**1 762 350**
TOTAL ASSETS		**2 317 396**	**2 601 406**

The accompanying notes form an integral part of these financial statements.

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Chairman of the Board

Marc Evan Rothman
Board Member

Agris Štikāns
Board Member

Ingūna Ziediņa
CFO

Riga, 29 March 2018

Balance sheet

EQUITY AND LIABILITIES

	Notes	31/10/2017 EUR	31/10/2016 EUR
EQUITY			
Share capital		33 370	33 370
Reserves:			
• foreign currency translation reserve		(8 141)	(8 210)
• other reserves		67	67
Retained earnings		744 908	610 452
Profit for the reporting year		264 059	884 456
TOTAL EQUITY		**1 034 263**	**1 520 135**
PROVISIONS FOR LIABILITIES AND CHARGES			
Other provisions	19	64 654	51 039
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		**64 654**	**51 039**
LIABILITIES			
Non-current liabilities			
Trade payables		-	1 800
Deferred tax liabilities	10	-	31 598
TOTAL		**-**	**33 398**
Current liabilities			
Prepayments received from customers		3 594	5 256
Trade payables		16 287	3 978
Payables to related companies		416 551	274 854
Taxes payable	20	107 549	291 382
Other liabilities		2 095	1 616
Deferred income		45 785	70 877
Undrawn dividends		476 751	237 166
Accrued liabilities	21	149 867	111 705
TOTAL		**1 218 479**	**996 834**
TOTAL LIABILITIES		**1 218 479**	**1 030 232**
TOTAL EQUITY AND LIABILITIES		**2 317 396**	**2 601 406**

The accompanying notes form an integral part of these financial statements.

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Chairman of the Board

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Board Member

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CFO

Riga, 29 March 2018

Notes to the financial statements

1. Corporate information

SIA Verifone Baltic (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 20 March 1998. The registered office of the Company is at Krasta iela 105a iela, Riga. The parent company of the Company is Verifone Nordic Holding AS. The core business activity of the Company Verifone Baltic comprises the sale, lease and maintenance of POS terminal and related programming.

A Lithuanian branch of the Company was opened on 25 November 2009. The branch's registered office is at Ukmerges g. 369A, Vilnius. The key goals of the branch are to strengthen and expand the business related to the sale and maintenance of payment automation systems in Lithuania.

An Estonian branch of the Company was opened on 26 July 2010. The branch's registered office is at Mõisa tn 4, 13522, Tallinn. The key goals of the branch are to strengthen and expand the business related to the sale and maintenance of payment automation systems in Estonia.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of SIA Verifone Baltic have been prepared in accordance with the Law of the Republic of Latvia on Annual Reports and Consolidated Annual Reports.

The financial statements are prepared on a historical cost basis. The monetary unit used in the financial statements is the euro (EUR). The financial statements cover the period 1 November 2016 through 31 October 2016.

The statement of profit or loss has been prepared according to the function of expense method.

The Company meets the criteria of a small enterprise specified in the law.

The law sets forth additional exemptions for small and medium-sized enterprises with regard to the preparation of financial statements, meanwhile providing that the financial statements must give a true and fair view of a company's financial position and profit or loss, while as regards annual reports of medium-sized and large enterprises, also of cash flows.

In order to improve the comparability of the prepared statement of profit or loss and the balance sheet, certain reclassifications have been made to several items of the statement of profit or loss and the balance sheet for the year ended 31 December 2016.

Going concern

The financial statements are prepared on the basis that the Company will continue to be a going concern.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Foreign currency translation

The functional and presentation currency of the Company is the euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted in the statement of profit or loss.

2. Summary of significant accounting policies (cont'd)

Intangible assets

Intangible non-current assets are stated at cost and amortized over their estimated useful lives on a straight-line basis. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Losses from impairment are recognized where the carrying value of intangible non-current assets exceeds their recoverable amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Equipment and machinery	- over 4 - 7 years
Other property, plant and equipment	- over 2 - 5

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of profit or loss in the cost of sales caption.

An item of property, plant and equipment is derecognized 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognized.

Expenses related to leasehold improvements are capitalized as property, plant and equipment and depreciated over the lease period on a straight-line basis.

Construction in progress is stated at cost. This includes the cost of construction and other direct expense. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

2. Summary of significant accounting policies (cont'd)

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out (FIFO) basis;

Finished goods and work in progress – cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value is disclosed at the purchase (production) cost less allowances made.

Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when recovery is deemed impossible.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

Loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the statement of profit or loss as interest income/ expense when the liabilities are derecognized through the amortization process.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by a respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term. The commitments undertaken by the Company with respect to operating lease contracts are recorded as off-balance sheet liabilities.

2. Summary of significant accounting policies (cont'd)

Provisions for warranties

A provision is recognized for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and will have been incurred within two years of the balance sheet date. Assumptions used to calculate the provisions for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, less value added tax and sales-related discounts. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Rendering of services

The Company basically provides maintenance, lease and programming services. Revenue is recognized in the period when the services are rendered.

Revenue from maintenance, lease and programming services and corresponding expenses are recognized by reference to the stage of completion at the balance sheet date.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Dividends

Revenue is recognized when the shareholders' right to receive the payment is established.

Income taxes

Income taxes include current and deferred taxes. Current corporate income tax is applied at the statutory rate of 15%.

Legal entities will not be required to pay income tax on earned profits starting from 1 January 2018 in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax will be paid on distributed profits and deemed profit distributions. Consequently, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions will be subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

Deferred tax assets and liabilities

Given that the Company has a branch in Lithuania, it recognizes a CIT asset in Lithuania. Deferred tax was provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities were measured at the tax rates that were expected to apply to the period when the asset was realized or the liability was settled, based on tax rates that had been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not recognized for the year 2017 in accordance with amendments to the legislation of the Republic of Latvia, which entered into force on 1 January 2018. Accordingly, deferred tax assets which were calculated and recognized in previous reporting periods have been reversed through the current statement of profit or loss or reserves, depending on whether deferred tax liabilities or assets were recognized initially in the statement of profit or loss or reserves, in the financial statements for the year ended 31 December 2017; according to the International Accounting Standard, changes in the tax legislation must be presented in financial statements in the period when they are adopted.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Net turnover

By business segments	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Maintenance, repairs and lease of POS terminals	2 522 173	2 348 810
Programming services	1 577 965	1 704 641
Sale of finished goods and materials	1 410 017	1 954 152
POS software	223 991	261 491
Other income	62 203	14 961
TOTAL:	**5 796 349**	**6 284 055**

4. Cost of sales

	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Staff costs	2 497 448	2 212 520
Purchase of POS terminals	831 538	1 175 224
Depreciation	287 614	284 632
Maintenance and repairs of POS terminals	247 936	367 426
Lease expense	114 100	115 872
Utilities	46 321	44 177
Other staff costs	37 805	79 149
Business trips	26 534	47 949
Revaluation	5 612	-
Other costs	95 622	49 086
TOTAL:	**4 190 530**	**4 376 035**

5. Distribution costs

	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Staff costs	413 160	372 668
Advertising and PR services	23 272	16 840
Other staff costs	15 899	-
Lease expense	13 781	11 870
Depreciation	11 988	10 137
Utilities	5 080	3 969
Other distribution costs	60 928	55 076
TOTAL:	**544 108**	**470 560**

6. Administrative expense

		01/11/2016-31/10/2017	01/11/2015-31/10/2016
Administrative staff costs Management fees[1]		203 401	174 474
Accounting fees		196 494	30 007
Introduction of an accounting system*		112 077	-
Low-value inventories		46 035	3 816
Communications expense		25 684	33 299
Amortization and depreciation		27 899	11 896
Other staff costs		11 900	31 540
Annual audit fee		10 900	9 884
Representation expense		10 777	21 251
Lease expense		7 602	7 381
Transport expense		5 107	5 347
Utilities		3 253	2 903
Bank charges		3 225	3 217
Business trips		727	3 147
Other administrative expense		47 251	72 066
	TOTAL:	**712 332**	**410 228**

* - the amount includes various expenses not deductible for CIT purposes.

7. Other operating income

		01/11/2016-31/10/2017	01/11/2015-31/10/2016
Management fees		66 647	45 751
IT services		18 476	-
ADP fee		15 412	-
Gain on disposal of property, plant and equipment, net		6 348	-
Release of allowances for slow-moving inventories		-	9 865
Other operating income		2 175	4 785
	TOTAL:	**109 058**	**60 401**

8. Other operating expense

		01/11/2016-31/10/2017	01/11/2015-31/10/2016
Allowances for slow-moving inventories		60 634	-
Non-operating expense*		50 900	-
Allowances for doubtful receivables		41 460	20 668
Loss on disposal of property, plant and equipment, net		3 433	668
Donations		900	1 400
Other operating expense		-	6 366
	TOTAL:	**157 327**	**29 102**

* - the amount includes various expenses not deductible for CIT purposes.

9. Interest and similar expense

		01/11/2016-31/10/2017	01/11/2015-31/10/2016
Currency exchange loss, net		7 801	1 040
Loan interest payments		219	49
Other expense		582	16
	TOTAL:	**8 602**	**1 105**

10. Current and deferred corporate income tax

	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Current corporate income tax charge for the reporting year	61 988	171 077
Change in deferred tax	17 800	1 893
Reversal of deferred tax	(51 339)	-
Corporate income tax charged to the statement of profit or loss:	**28 449**	**172 970**

Income or expense from changes in deferred tax assets or deferred tax liabilities:

	Balance sheet		Statement of profit or loss	
	31.10.2017.	31.10.2016.	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Deferred corporate income tax liabilities				
Accelerated depreciation for tax purposes	65 847	65 624	223	6 670
Gross deferred corporate income tax liabilities	**65 847**	65 624	**223**	**6 670**
Deferred corporate income tax assets				
Vacation pay reserve	301	(8 962)	(8 661)	(2 864)
Other	16 148	(25 064)	(8 916)	7 641
Gross deferred corporate income tax assets	**16 449**	**(34 026)**	**(17 577)**	**4 777**
Net deferred corporate income tax liabilities or (assets)	**49 398**	**31 598**	**17 800**	**1 893**
Reversal of deferred tax *	**(51 339)**	**-**	**(51 339)**	**-**
TOTAL	**(1 941)**	**31 598**	**(33 539)**	**1 893**

* In 2017, deferred tax liabilities have been reversed in the statement of profit or loss pursuant to amendments made to the tax legislation of the Republic of Latvia, which entered into force on 1 January 2018.

10. Current and deferred corporate income tax (cont'd)

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Profit before tax	292 508	1 057 426
Tax at the applicable tax rate of 15%	43 876	158 614
Permanent differences:		
Non-operating expense	32 130	15 471
Other	(14 018)	(3 083)
Adjustment for 2015	-	75
Actual income tax for the reporting year:	79 788	172 970
Reversal of deferred tax	**(51 339)**	**-**
Corporate income tax charged to the statement of profit or loss:	**28 449**	**172 970**
Effective interest rate	9.7 %	16.4%

11. Staff costs and number of employees

	01/11/2016-31/10/2017	01/11/2015-31/10/2016
Wages and salaries	2 428 683	2 171 446
Statutory social insurance contributions	610 474	546 450
TOTAL:	**3 039 157**	**2 717 896**

	2017	2016
Average number of employees during the reporting year	95	91
TOTAL:	**95**	**91**

12. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	TOTAL
As at 31 October 2015		
Cost	39 924	39 924
Accumulated amortization and impairment	(33 123)	(33 123)
Carrying amount as at 31 October	6 801	6 801
Period ended 31 October 2016		
Carrying amount as at 1 November	6 801	6 801
Additions		-
Disposals		-
Amortization charge	(4 843)	(4 843)
Impairment charge		-
Carrying amount as at 31 October	1 958	1 958
As at 31 October 2016		
Cost	39 924	39 924
Accumulated amortization and impairment	(37 966)	(37 966)
Carrying amount as at 31 October	1 958	1 958
Period ended 31 October 2017		
Carrying amount as at 1 November	1 958	1 958
Additions		-
Disposals		-
Amortization charge	(1 454)	(1 454)
Impairment charge		-
Carrying amount as at 31 October	504	504
As at 31 October 2017		
Cost	39 924	39 924
Accumulated amortization and impairment	(39 420)	(39 420)
Carrying amount as at 31 October	504	504

13. Property, plant and equipment

	Equipment and machinery	Other assets	Investment properties	TOTAL
As at 31 October 2015				
Cost	209 521	1 427 859	1 490	1 638 870
Accumulated depreciation and impairment	(118 117)	(756 280)	(662)	(875 059)
Carrying amount as at 31 October	91 404	671 579	828	763 811
Period ended 31 October 2016				
Carrying amount as at 1 November	91 404	671 579	828	763 811
Additions	39 620	347 345	-	386 965
Cost of disposals	(9 295)	(115 229)	-	(124 524)
Accumulated depreciation of disposals	8 056	104 612	-	112 668
Depreciation charge	(34 816)	(266 758)	(248)	(301 822)
Impairment charge	-	-	-	-
Carrying amount as at 31 October	94 969	741 549	580	837 098
As at 31 October 2016				
Cost	239 846	1 659 975	1 490	1 901 311
Accumulated depreciation and impairment	(144 877)	(918 426)	(910)	(1 064 213)
Carrying amount as at 31 October	94 969	741 549	580	837 098
Adjustment for the period ended 31 October 2016				
Cost	(46 315)	(8 897)	-	(55 212)
Accumulated depreciation and impairment	46 315	8 897	-	55 212
Carrying amount as at 31 October	94 969	741 549	580	837 098
Period ended 31 October 2017				
Carrying amount as at 1 November	94 969	741 549	580	837 098
Additions	52 068	264 732	-	316 800
Cost of disposals	(27 166)	(8 341)	-	(35 507)
Accumulated depreciation of disposals	22 872	4 908	-	27 780
Depreciation charge	(37 402)	(288 395)	-248	(326 045)
Impairment charge	(14 760)	10 531	0	(4 229)
Carrying amount as at 31 October	90 581	724 984	332	815 897
As at 31 October 2016				
Cost	218 433	1 907 469	1 490	2 127 392
Accumulated depreciation and impairment	(127 852)	(1 182 485)	(1 158)	(1 311 495)
Carrying amount as at 31 October	90 581	724 984	332	815 897

14. Inventories

		31/10/2017	31/10/2016
Finished goods and goods for sale (cost or net realizable value)		443 695	454 085
Allowances for slow-moving inventories		(119 806)	(59 172)
	TOTAL:	**323 889**	**394 913**

15. Trade receivables

		31/10/2017	31/10/2016
Trade receivables		219 510	324 728
Allowances for doubtful receivables		(33 091)	(19 301)
	TOTAL:	**186 419**	**305 427**

Trade receivables are non-interest bearing.

16. Other receivables

		31/10/2017	31/10/2016
Overpayment of taxes (see Note 20 "Taxes payable")		94 635	200
Other receivables		1 736	14 750
	TOTAL:	**96 371**	**14 950**

17. Prepaid expense

		31/10/2017	31/10/2016
Insurance		12 468	14 215
Payment under operating lease		3 199	6 181
Other expense		23 167	22 436
	TOTAL:	**38 834**	**42 832**

18. Cash and cash equivalents

		31/10/2017	31/10/2016
Cash at bank and on hand		501 867	815 311
	TOTAL:	**501 867**	**815 311**

19. Other provisions

		31/10/2017	31/10/2016
Provisions for staff bonuses		56 813	49 755
Provisions for warranties		2 849	1 284
Other provisions		4 992	-
	TOTAL:	**64 654**	**51 039**

20. Taxes payable

	31/10/2017	31/10/2016
Statutory social insurance payments	(64 404)	(58 078)
Contributions to funded pension scheme	(247)	(173)
Personal income tax	(2 406)	(1 713)
Fringe benefit tax (Estonia)	(373)	(84)
Corporate income tax	94 635	(150 255)
Value added tax	(37 641)	(79 119)
Unemployment risk duty	(360)	(296)
Company car tax	(2 118)	(1 664)
Overpayment of taxes (Estonia)	-	200
TOTAL:	**12 914**	**(291 182)**
Total receivable (disclosed as other receivables)	**94 635**	**200**
Total payable	**(107 549)**	**(291 382)**

21. Accrued liabilities

	31/10/2017	31/10/2016
Vacation pay reserve	75 334	64 313
Other accrued liabilities	74 533	47 392
TOTAL:	**149 867**	**111 705**

22. Commitments and contingencies (cont'd)

(a) Commitments under operating leases

The Company as a lessee has entered into several property lease agreements. The total amount of annual lease expenses was EUR 19 406 in 2017 (2016: EUR: 29 654). As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	31/10/2017	31/10/2016
Maturing in less than one year	11 465	18 664
Maturing between one and five years	15 500	25 035
TOTAL:	**26 965**	**43 699**

23. Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

Vikram Kalidindi Varma
Chairman of the Board

Marc Evan Rothman
Board Member

Agris Štikāns
Board Member

Ingūna Ziediņa
CFO

Riga, 29 March 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of SIA Verifone Baltic

Opinion

We have audited the accompanying financial statements of SIA Verifone Baltic (the Company) set out on pages 6 to 20 of the accompanying annual report, which comprise the balance sheet as at 31 October 2017, and the statement of profit or loss, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of SIA Verifone Baltic as at 31 October 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on other information

The other information comprises the Management Report as set out on pages 4 to 5 of the accompanying annual report, but does not include the financial statements and our auditors report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We have other reporting responsibilities in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report. These additional reporting responsibilities are beyond those required under the ISAs.

Our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ERNST & YOUNG BALTIC SIA
Licence No. 17

Iveta Vimba
Member of the Board
Latvian Certified Auditor
Certificate No. 153

Riga, 29 March 2018

Sidevahendid

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