Consolidated Financial Statements
2018

The annual consolidated financial statements have been audited and the corresponding certification report is being prepared.

Public limited company with capital of €54,504,715

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statements for FY 2018 and 2017

in thousands of Euros	Notes	December 31st, 2018	December 31st, 2017
Sales		**28 816**	**24 541**
Direct costs		- 13 793	- 11 562
Payroll charges	Note 4	- 11 470	- 9 202
General expenses		- 6 851	- 6 010
EBITDA [1]		**- 3 298**	**- 2 232**
Depreciation and amortization		- 2 229	- 1 923
Current operating profit		**- 5 527**	**- 4 155**
Stock based compensation		- 44	- 138
Other non-current income and charges		- 91	- 166
Operating profit		**- 5 662**	**- 4 460**
Other financial income and charges	Note 5	- 2 309	232
Earning of the consolidated companies		**- 7 971**	**- 4 228**
Earnings before tax of the consolidated companies		**- 7 971**	**- 4 228**
Income Tax	Note 6	- 446	- 317
Net income from continuing operations		**- 8 417**	**- 4 545**
Including minority interests		0	51
Including Group share		**- 8 417**	**- 4 596**
Net income from operations sold		**-**	**38**
Net income		**- 8 417**	**- 4 508**
Including minority interests		0	51
Including Group share		**- 8 417**	**- 4 559**

[1] *Current operating income before allowances and reversals of depreciation, amortisation and provisions.*

Earnings per share:

	December 31st, 2018	December 31st, 2017
Weighted average number of ordinary shares	4 954 974	4 954 974
Earnings per share, Group share (in euro)	-1,70	-0,92
Weighted average number of ordinary shares (diluted)	4 954 974	4 954 974
Diluted earnings per share, Group share (in euro)	-1,70	-0,92

in thousands of euro	December 31st, 2018	December 31st, 2017
Net result	**- 8 417**	**- 4 559**
Other element of the global result		
Elements recycled in net result		
- Translation adjustments	- 5	3
Elements not recycled in net result		
- Actuarial gain and losses related to post-employment benefits	-	-
Other elements of the global result, net of tax	**- 5**	**3**
Including Group Share	-	3
Global result	**- 8 421**	**- 4 556**

ASSETS - *in thousands of Euros*	Notes	December 31st, 2018	December 31st, 2017
Net Goodwill	Note 7	40 222	40 222
Net intangible fixed assets	Note 8	4 654	4 587
Net tangible fixed assets	Note 9	1 262	867
Deferred tax assets	Note 10	1 429	1 429
Other financial assets	Note 11	401	2 154
Non-current assets		**47 968**	**49 259**
Receivables and other debtors	Note 12	648	248
Other current assets	Note 13	60 893	44 065
Cash and cash equivalents	Note 14	2 662	7 987
Current assets		**64 203**	**52 300**
TOTAL ASSETS		**112 171**	**101 560**

LIABILITIES - in thousands of Euros	Notes	December 31st, 2018	December 31st, 2017
Share capital		54 505	54 505
Premiums on issue and on conveyance		15 495	15 495
Reserves and retained earnings		- 19 097	- 14 577
Consolidated net income (Group share)		- 8 417	- 4 559
Shareholders' equity (Group share)		**42 486**	**50 864**
Minority interests		- 0	- 0
Shareholders' equity		**42 486**	**50 864**
Long-term borrowings and financial liabilities	Note 15	7 615	1 161
Non-current Provisions	Note 16	644	552
Deferred tax liabilities		1	2
Non-current liabilities		**8 259**	**1 715**
Short-term financial liabilities and bank overdrafts		143	-
Suppliers and other creditors		4 938	5 958
Other current debts	Note 17	56 344	43 023
Current liabilities		**61 426**	**48 981**
TOTAL LIABILITIES		**112 171**	**101 560**

in thousands of Euros	Notes	December 31st, 2018	December 31st, 2017
Net income		-8 417	- 4 545
Adjustments for:			
Depreciation of the fixed assets		2 171	1 942
Other non curent elements without impact on the cash		92	66
Financial income and charges		51	4
Take away earn out		2 000	-
Result on sale of equity securities		239	- 403
Costs of payments based on shares		44	138
Tax charge or proceeds	Note 6	445	317
Operating profit before variation of the operating capital need and provisions		-3 375	- 2 481
Variation of the operating capital need	Note 18	-3 289	1 993
Cash flow resulting from operating activities		-6 664	- 488
Interest paid		-51	- 4
Tax on earnings paid		-883	- 861
Net Cash Flow Resulting From continuing Operating Activities		**-7 598**	**- 1 353**
Net Cash Flow Resulting From operating activities of divested operations		**-**	**327**
Net Cash Flow Resulting From Operating Activities		**-7 598**	**- 1 026**
Acquisition of fixed assets, debt		-3 500	- 3 410
Variation of financial assets		-486	505
Effect of the perimeter variations		-	2 402
Net Cash Flow Resulting From continuing investing Activities		**-3 986**	**- 503**
Net Cash Flow Resulting From operating investing of discontinued operations		**-**	**- 666**
Net Cash Flow Resulting From Investing Activities		**-3 986**	**- 1 169**
Repurchase of own shares		-	520
Minority transactions		-	- 301
New borrowings		6 284	1 161
Loan repayments			-
Dividends paid to minority interests		-	- 28
Net Cash Flow Resulting From continuing Financing Activities		**6 116**	**1 352**
Net Cash Flow Resulting From Financing Activities		**6 116**	**-**
Effect of exchange rates variation		-	-
Net Variation Of Cash And Cash Equivalents from continuing Activities		-5 468	- 504
Net Variation Of Cash And Cash Equivalents from divested operations		-	- 339
Net cash on January 1st		7 987	8 831
Net cash at the end of the period		**2 519**	**7 987**

in thousands of euro	Number of shares	Share capital	Premiums	Transactions with HiMedia	Treasury shares	Reserve for options and free shares	Income and expenses on equity	Reserves and consolidated earnings	Shareholders' equity (Group share)	Shareholders' equity Minority Interests	Shareholders' equity
December 31, 2016	**4 954 974**	**54 505**	**15 495**	**7 035**	**- 465**	**276**	**- 702**	**- 21 220**	**54 925**	**152**	**55 076**
Stock options and free shares impact	0	-	-	-	-	138	-	-	138	-	138
Shares redemptions	0	-	-	-	464	20	-	-	484	-	484
Dividends paid to the minorities	0	-	-	-	-	-	-	-	-	- 28	- 28
Perimeter variation	0	-	-	-	-	-	-	- 127	- 127	- 176	- 303
charges directly posted in shareholders' equity	0	-	-	-	-	-	3	-	3	-	3
Net income of the period	0	-	-	-	-	-	-	- 4 559	- 4 559	51	- 4 508
Global result	0	-	-	-	-	-	3	- 4 559	- 4 556	51	- 4 505
December 31, 2017	**4 954 974**	**54 505**	**15 495**	**7 035**	**- 0**	**434**	**- 699**	**- 25 906**	**50 864**	**0**	**50 864**
Stock options and free shares impact	0	-	-	-	-	44	-	-	44	-	44
Shares redemptions	0	-	-	-	-	-	-	-	-	-	-
Dividends paid to the minorities	0	-	-	-	-	-	-	-	-	-	-
Perimeter variation	0	-	-	-	-	-	0	-	-	-	-
Income and charges directly posted in shareholders' equity	0	-	-	-	-	-	- 5	-	- 5	-	- 5
Net income of the period	0	-	-	-	-	-	-	- 8 417	- 8 417	-	- 8 417
Global result	0	-	-	-	-	-	- 5	- 8 417	- 8 421	-	- 8 421
December 31, 2018	**4 954 974**	**54 505**	**15 495**	**7 035**	**- 0**	**478**	**- 704**	**- 34 322**	**42 487**	**0**	**42 487**

The Company terminated the liquidity contract during the first quarter of 2017.

On September 1st, 2017, HPME SA acquired the shares of the minority shareholders of HiPay Portugal Lda in order to increase its stake to 100%.

A new free share plan was awarded during the 2017 financial year (see note 19).

NOTES CONCERNING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting principles and methods

1.1. Entity presenting the financial statements

The company's consolidated financial statements for FY2018 include the financial statements of HiPay Group S.A. (referred as "the Company") and its subsidiaries (together referred to as "the Group") and the Group's share in the associates companies or joint ventures. They are presented in thousands of euros.

The head office of the Company is located at 94, rue de Villiers - 92300 Levallois-Perret, since December 1st, 2017.

1.2. Significant events

Nothingness.

1.3. Basis of preparation of the consolidated financial statements

Persuant to the European regulation n° 1606/2002 of July 19th 2002, the Group's consolidated financial statements have been prepared in accordance with the international accounting standards issued by IASB (International Accounting Standards Board. These International Accounting Standards are made of the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and their interpretations, which were adopted on the December 31st, 2018 by the European Union (publication in the Official Journal of the European Union).

The consolidated financial statements on December 31st, 2018 and the related notes have been prepared under the responsibility of the Board of Directors and agreed at its meeting on March 12th 2019.

1.4. Accounting principles and evaluation methods

HiPay Group has applied the same accounting methods as in its consolidated financial statements for the financial year ending on December 31st, 2017, except for standards, amendments and interpretations applicable for the first time on January 1st, 2018.

Standards, amendments and interpretations, whose application is mandatory on January 1st, 2018:

The Group's application of the following standards and interpretations, adopted by the European Union and mandatory in financial years beginning on or after January 1st, 2017, had no major impact on the Group's financial statements:

- Amendments IFRS 2 "Classification and valuation of share-based payments";
- Annual Improvements to IFRS in the 2014 - 2016 cycle - Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures";
- Annual Improvements to IFRS in the 2014 - 2016 cycle - Amendments to IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 9 and amendments to IFRS 9 "Financial Instruments: Classification and Measurement of financial assets, fair value option for financial liabilities and hedge accounting", applicable as of January 1st, 2018;
- IFRS 15 and additions to IFRS 15 - (Amendments, clarifications) "Revenue from Contracts with Customers" applicable as of January 1st, 2018.

IFRS 15

As of January 1st, 2018, HiPay Group adopted the new standard IFRS 15 "Revenue from Contracts with Customers" published by the European Union on September 22nd, 2016, including the clarifications published on October 31st, 2017. The Group adopted the full retrospective transition method with restatement of the comparative year 2017 and recognition of the cumulative impact in the equity at January 1st, 2017.

IFRS 15 sets out very structuring principles for revenue recognition based on an analysis in five successive stages: identification of the contract, identification of the different performance obligations, determination of the overall price of the contract, allocation of the overall price for each performance obligation, recognition of revenue and related costs when a performance obligation is satisfied.
IFRS 15 also changes the applicable principles and indicators to determine whether the Group is required to present transactions in the income statement as "principal" on a gross basis or as "agent" on a net basis. being then presented for the amount invoiced to the customer net of the amount invoiced by the supplier.

The group has therefore implemented an analysis based on the principles and indicators of the standard to know if the entity acts on its own account (principal) throughout the chain of services rendered to the commercial sites or as an agent on a part of the chain.

Financial flows from end consumers via acquiring banks correspond to sales of goods or services made by internet and merchant websites. The amounts transiting through HiPay's accounts are thus sums collected on behalf of third parties.

HiPay provides comprehensive services for retail chains, enabling them to offer a variety of payment scenarios to their customers. HiPay Group handles the processing, acquisition and collection of financial flows from sales to end consumers on behalf of merchants.

HiPay charges merchants in the form of flat rates and commissions based on sales flows.

HiPay has developed a unique technology solution that allows it to aggregate a large number of payment methods, to work with various access providers and acquirers, to provide the entire value chain with an innovative solution.

HiPay is responsible for providing end-to-end processing, acquisition and collection to its customers and establishes selling prices for the entire value chain. The contract with the website does not distinguish the different stages of the payment process. Only one performance obligation is identified.

HiPay then acts as Principal for all of its services: the amounts invoiced by HiPay for its services are thus recognized as revenue.

As a result, the application of IFRS 15 did not have an impact on the group accounts.

IFRS 9

On July 24th, 2014, the IASB issued the final version of "IFRS 9 - Financial Instruments", comprising the three phases that made up the project (classification and measurement, impairment and hedge accounting). IFRS 9 has been approved by the European regulation of November 22th 2016.

HiPay Group has adopted IFRS 9 as of January 1st, 2018, without restating the comparative year 2017, as permitted by this text. The application of this new standard did not have a significant impact on opening equity at January 1st, 2018.

IFRS 9 has modified IAS 39 mainly in three phases:

Phase 1: classification and valuation of financial instruments;
Phase 2: impairment of financial assets; and
Phase 3: hedge accounting.

The retrospective application of component 1 "classification and measurement of financial instruments" did not have a significant impact on the Group's accounting methods for the valuation of financial assets and financial liabilities held on January 1st, 2018.

The implementation of the new "impairment of financial assets" section, which replaces IAS 39's "losses incurred" model with that of "expected credit losses", does not have a material impact for the Group as at January 1st, 2018. and in the first half of 2018 given the low level of trade receivables.

As the Group does not have any financial instruments for which hedge accounting is applied, the latter component has no impact for the Group.

Early application

On December 31st, 2018, the Group has not applied by anticipation new standards or interpretations.

Standards issued by the IASB whose application is not mandatory

The principles applied by the Group do not differ from IFRS/IFRIC standards as published by the IASB/ IFRIC IC, since the application of the following standards and interpretations adopted by the european union but not entered into force, is not mandatory in financial years beginning on or after January 1st, 2018:

- IFRS 16 – "Leases" applicable from January 1st, 2019.

IFRS 16

This IFRS 16 standard on leases, published on January 13, 2016, will enter into force in the financial statements for fiscal years beginning on or after January 1, 2019 and requires lessees to record, for contracts eligible for the standard, all rents remaining to be paid in the form of:

- Right of use, in fixed assets;
- Rental liability, in financial debt.

The Group has not opted for early application but has identified all of its eligible lease contracts. Leased assets are essentially occupied premises, function vehicles and accommodation.

1.5. Consolidation principles

A subsidiary is an entity controlled by the Group. The Control exists when the Group has the power to govern financial and operating policies of the entity to obtain benefits from its activities. To appreciate the control, potential voting rights which can currently be exercised have been taken into consideration. Subsidiaries' financial statements are included in the consolidated financial statements from the date which control was gained until the date on which control ended. Subsidiaries' accounting methods are modified when necessary to align them on those adopted by the Group.

1.5.1. Companies under exclusive control

The companies exclusively controlled directly or indirectly by HiPay Group SA are fully consolidated.

1.5.2. Associates companies (companies accounted for under the equity method)

Associate companies are the entities in which the Company has significant influence over the financial and operating policies, without having control. Significant influence is presumed when the Group holds from 20% to 50% of the voting rights of an entity. Associate companies are accounted for under the equity method and are initially recorded at cost. The Group's investments include goodwill identified on acquisition, net of accumulated impairment losses. The consolidated financial statements include the Group's share in total profits and losses and movements in equity accounted by the equity method, after taking into account adjustments for compliance of accounting policies with those of Group, from the date that significant influence is exercised until the date that significant influence ceases.

If the Group's share of the losses exceeds its interest in the company under the equity method, the book value of equity affiliates (including any long-term investment) is reduced to zero, and the Group ceases to post its share of the future losses, unless the Group is obliged to take part in the losses or to make payments on behalf of the company.

1.5.3. Transactions in the consolidated financial statements

Balance sheet amounts and transactions, income and expenses resulting from intra-group transactions are eliminated during preparation of consolidated financial statements. Income from transactions with associate companies is eliminated through consideration of investments in equity shares up to the Group's interest in the company. Losses are eliminated in the same manner as income but only where they do not represent a loss in value.

1.6. Use of estimates and judgments

The preparation of the financial statements in accordance with the IFRS standards requires Management to take into account estimates and assumptions for the determination of the amounts posted of certain assets, liabilities, income and charges, and of information provided in the notes relating to some assets and liabilities, in particular:

- The goodwill and the impairment tests,
- The intangible assets,
- The deferred tax assets,
- Depreciation of receivables,
- The provisions for risk and charges.

The estimates and underlying assumptions are based on past experience and other factors considered reasonable in light of the circumstances. They are thus used as the basis for the exercise of the judgment necessary for the determination of the book values of assets and liabilities, which cannot be obtained directly from other sources. Considering the uncertainty of these valuation procedures, the definitive amounts may prove to be different from the ones initially estimated.

The estimates and the underlying assumptions are continuously reconsidered. The impact of the changes in accounting estimates is directly accounted for during the period of the change if it only affects that period, or during the period of change and in subsequent periods if they are also affected by the change.

1.7. Foreign Currency

1.7.1. Foreign currency transactions

Exchange differences on receivables and liabilities denominated in foreign currency of an entity are recognized in earnings or financial results of the entity according to the nature of the underlying transaction.

The exchange differences relating to monetary elements forming part of the net investment in foreign subsidiaries are included in translation reserves at their amount net of tax.

The Balance sheet accounts expressed in foreign currency are converted into euro at the rate of the closing of the FY, excluding the net position which is maintained at its historical value. The income statement and cash flow expressed in foreign currencies are converted at the average monthly exchange rate, in the absence of significant changes in the exchange rate. Currency gains and losses resulting from application of these different rates are not included in the income statement for the period but directly allocated into conversion reserves in the consolidated financial statements.

1.7.2. Activities abroad

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from the acquisition, are translated into euro by using the exchange rate on the closing date. Revenues and expenses of a foreign operation, apart from overseas operations in a hyperinflationary economy are translated into euro using the exchange rates prevailing at the dates of transactions.

Exchange differences arising from the conversion are posted to the translation reserves under shareholders' equity.

1.8. Intangible fixed assets

1.8.1. Goodwill

Business combinations are accounted for in accordance with IFRS 3, the provisions of which apply since January 1, 2010, and IFRS 10, which replaces IAS 27, dealing only with individual financial statements since January 1, 2014.

Goodwill is evaluated by the group at acquisition date as:

- The fair value of the consideration transferred; plus
- If the business combination is done step by step, the fair value of any participation previously held in the acquired company; minus
- The net amount accounted (generally at the fair value) for the identifiable acquired assets and liabilities

When the difference is negative (negative will), revenue can be directly booked in the result as a gain on a bargain purchase. The acquisition costs, other than the ones related to a debt or capital account issuance that the group has to bear due to the business combination, are booked in expenses.

Any consideration to be paid, such as a price adjustment clause to be paid among the achievement of any performance ratio, is evaluated at the fair value at the acquisition date. The changes of the fair value of the consideration which could occur at a later date are booked against goodwill during the acquisition phase and against result after that period.

Impairment test methods of cash generating units are detailed in note 1.10.2 below. In the event of impairment, depreciation is included in profit for the year.

Goodwill related to associate company acquisitions is included in the item "Equity method investments." They are tested through impairment test on the securities.

1.8.2. Other intangible assets

Research and development costs

Development costs, including those related to software and new sites or new versions of sites are capitalized as intangible assets as soon as the company can demonstrate:

- Its intention, financial and technical ability to conduct the development project to completion;
- Its ability to use or sell the intangible asset, once completed;
- The availability of adequate technical and financial resources to complete the development and the sale;
- That it is likely that the future economic advantages attributable to the development expenditure will go to the company;
- And that the cost of the asset may be measured reliably.

Other research and development costs are expensed in the period in which they are incurred.
These research and development costs are depreciated over their useful life that is assessed according to the consumption of the economic benefits related to them. They are impaired if their recoverable value is less than their book value.

Other acquired intangibles

To satisfy the definition of an intangible fixed asset, an element must be identifiable (separable or arising from contractual or legal rights), controlled by the company, and it must be probable that future economic benefits attributable to them will go to the company.

An acquired intangible asset is recognized in the balance sheet as soon as its cost can be reliably measured, on the basis that in such a case the future economic benefits attributable to the asset will go to the company.

These intangible assets consist primarily of trademarks, licenses and software, and customer relations. Licenses, software and customer relations, which have a finite useful life, are amortized over a period between 1 and 5 years.

1.9. Property, plant, and equipment

The original value of PPE corresponds to their purchase cost.

Maintenance costs and repairs are expensed as incurred, except those incurred for increased productivity or to extend the useful life of the property.

Assets financed by finance leases, for which risks and rewards have been transferred to the lessee, are presented to the asset for the present value of future payments or market value, whichever is lower. Corresponding debt is recognized under financial liabilities. These capital assets are amortized according to the method and useful life described below.
The depreciation is expensed over the estimated useful life for each asset.

The estimated useful lives are as follows:

Fixtures and facilities	5 to 10 years
Office and computer equipment	3 to 5 years
Furniture	4 to 8 years

1.10. Non-current assets and liabilities

1.10.1. Financial assets

All financial assets are classified as "held-to-maturity assets" as of December 31st, 2018. No financial assets are classified as “available-for-sale” or “fair value through profit or loss”.

A financial asset is examined on each closing date to determine if there is an objective evidence of impairment. The Group considers that a financial asset is impaired if there is objective evidence that one or several events had a negative impact on the future estimated cash flows of the asset.

The loss of value of a financial asset measured at amortized cost is the difference between its carrying value and the value of estimated future cash flows, discounted at the original effective interest rate on financial assets.
Impairment losses are recognized in the income statement.
The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Unconsolidated securities are initially recorded at cost, which corresponds to their fair value plus the cost of acquisition. At each closing, they are valued at their fair value, which is representative of their market value, provided that the Group has sufficiently reliable valuation elements, particularly where there is an active market. Otherwise, they are kept at their entry value. If the fair value, when it can be determined, is greater than the entry value, the securities are revalued against an increase in equity.
In the event of an impairment loss, an impairment loss is recorded and recognized:

- if the loss is permanent, any subsequent reassessment will then be deducted in equity. The permanent nature of the loss is assessed on a case-by-case basis depending on the significant level of the decrease or duration of the haircut period relative to its acquisition price.
- in equity if the loss is presumed to be temporary.

On the disposal of the securities, the value adjustments recorded in equity are taken back and recognized in the income statement.

1.10.2. Non-financial assets

The carrying values of non-financial assets of the Group, other than deferred tax liability, are examined on each closing date to assess if there is any indication of an asset which has been impaired. If there is such an indication, the asset’s recoverable amount is assessed.

For goodwill, intangible assets with undefined useful life or which are not yet ready to be put in service, the recoverable amount is estimated on each closing date. The recoverable amount of an asset or cash generating unit, which regroups several assets, is the greatest amount between its useful value and the fair value without sales costs. To assess the useful value, the future estimated cash flows are updated at pre-tax rates reflecting current market appreciation of the time value of money and specific risks to the asset. For the purpose of impairment tests, assets are regrouped in the smallest group of assets generating cash inflows resulting from their continued use, largely independent of cash inflows generated from other assets or groups of assets, i.e. cash generating units.

An impairment loss is recognized if the carrying value of an asset or its cash generating unit is greater than its recoverable amount. Impairment losses are recognized in the income statement. An impairment loss recognized for a cash generating unit (or a group of units) is allocated first to reduce the carrying value of any goodwill allocated to a cash generating unit, then to the reduction in carrying value of other assets of the unit (or of the group of units) pro rata to the carrying value of each asset of the unit (or of the group of units). A recognized goodwill impairment loss cannot be reversed.

For other assets, on the closing date of each FY the Group assesses if there is an indication that impairment losses recognized during previous periods have decreased or no longer exist. An impairment loss is reversed if there is a change in assessments used to determine the recoverable amount. The carrying value of an asset, increased due to the reversal of impairment loss must not be higher than the carrying value which would have been determined, net of depreciation, if no impairment loss had been recognized.

1.10.3. Financial liabilities

All financial liabilities are classified as debt at amortized cost as at December 31st 2018. No financial liabilities are included in the "Derivatives" category.

1.11. Receivables

Trade receivables are initially assessed at their fair value then at the amortized cost and subject to individual consideration. Impairment is recognized when the current value is less than the book value.

1.12. Cash and cash equivalents and current financial assets

The cash and cash equivalents comprise the elements that are immediately liquid and whose changes in fair value are not significant, such as cash in bank deposit accounts, mutual fund shares and the available cash with the factor.

Current financial assets that do not meet the definition of cash equivalents and held for future transactions are valued at fair value and changes are recorded in the income statement.

1.13. Non-current assets and disposal group intended for sale

A non-current asset or a group of assets and liabilities is held for sale when its carrying value may be recovered principally through its divestiture and not by its continued utilization. To meet this definition, the asset must be available for immediate sale and the divestiture must be highly probable. These assets and liabilities are recognized as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lowest value between the fair value (net of divestiture fees) and the carrying value, or cost less accumulated depreciation and impairment losses, and are no longer depreciated.

1.14. Capital

1.14.1. Common shares (common stock)

Common shares are classified as equity instruments. Incidental costs directly attributable to the issuance of common stock or stock options are deducted from equity, net of tax.

1.14.2. Repurchase of equity instruments (treasury shares)

If the Group repurchases its treasury stock, the compensation amount paid, including directly related costs, is recognized net tax, reduced by shareholders' equity. Shares repurchased are classified as treasury stock and deducted from shareholders' equity. When treasury stock is sold or reissued, the amount received is recognized via increasing shareholders' equity, and the transaction profit or loss is transferred as retained earnings increases or decreases.

1.15. Provisions

A provision is recognized when the Group has a current, legal or implicit bond resulting from a past event regarding a third-party, and about which it is likely or certain that it will provoke a resources outflow benefiting this third-party. In cases of restructuring, a bond is made when the restructuring has been subject to an announcement and a detailed plan or to a start of execution.

1.16. Employee benefits

1.16.1. Cost based plans

A cost-based plan is a defined post-employment plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to make additional contributions. Contributions payable to a defined contribution plan are recognized under charges related to employee benefits when due.

1.16.2. Defined-benefit pensions plans

A defined-benefit plan refers to post-employment defined benefits other than defined contribution plan.
HiPay Group net bonds pursuant to defined benefit plans are assessed separately for each plan in assessing the amount of future benefits acquired by personnel in exchange for services rendered during the current and previous periods. This amount is updated to determine its current value. The fair value of plan assets is then deducted. Calculations are made every year by a qualified actuary, using the projected unit credit method.
HiPay Group recognizes immediately in other comprehensive income of all actuarial gains and losses under defined benefit plans.

1.16.3. Benefits upon termination of the employment contract

Benefits at the end of the employment contract are recognized as expenses when HiPay Group, without realistic possibility of retraction, is manifestly involved in a formalized and detailed plan either through redundancies before the normal retirement date or packages encouraging premature retirement to reduce payroll, and concerned persons must be informed before the closing date. Preliminary retirement benefits are recognized as expenses if the Group has issued a package encouraging the early retirements, and it is likely the package will be accepted and the number of persons accepting it could be assessed in a reliable way.

1.16.4. Short-term benefits

The obligations in connection with the short-term benefits are valued on a non-discounted basis and are recognized when the corresponding service is rendered. A liability is recognized for the amount HiPay Group expects to pay under profit-sharing and bonuses paid in treasury in the short term if the Group has a present legal or constructive obligation to make such payments in exchange for past services rendered by the staff member and the obligation can be reliably estimated.

1.16.5. Share-based payments

Buy options and share subscription options as well as bonus shares are granted to senior managers and to certain Group employees. In accordance with IFRS 2 "Share-Based Payment", options and shares are valued at fair value at the grant date.

The related expense is recalculated at each closing date based on the levels of the performance criteria reached and the turnover rates. To determine the future expected expense on these plans, the parameters are recalculated at each closing in function of past completion (allocations and/or cancellations) and better estimate of management on that date. Final parameters could thus appear different to those initially valued.

1.17. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Tax is recognized in income/expense unless it relates to a business combination or to elements that are recognized directly in equity or in other comprehensive income in which case it is recognized in equity or other elements of comprehensive income.

The income taxes are calculated in accordance with tax legislations in the countries where incomes are taxable.

Current tax is the estimated amount of tax payable in relation to taxable income of a period, and is determined using tax rates enacted or substantively enacted at the balance sheet date, any adjustment added to the amount tax payable with regard to previous periods.

Deferred tax is determined and recognized using the balance sheet approach of the liability method for all temporary differences between the carrying values of assets and liabilities and their tax bases.

The following elements are not subject to deferred taxes: the initial recognition of an asset or liability in a transaction that is not a regrouping of businesses and that affects neither the accounting profit nor the taxable income, and the temporary differences connected with investments in subsidiaries and joint ventures insofar as it is likely that they will not be reversed in the foreseeable future. Furthermore, the deferred tax is not accounted for in case of a taxable temporary difference generated from the initial recognition of goodwill.

The deferred tax credits and liabilities are valued at the tax rates that are expected to be applied for the period during which the asset is realized and the liability settled, on the basis of the taxation rules and regulations that have been adopted or virtually adopted as at the closeout date. The deferred tax credits and liabilities are offset if there is a legal enforceable right to offset the payable tax credits and liabilities, and if they concern taxes on earnings deducted by the same taxation authority, either in the same taxable entity, or in taxable entities that are different but that intend to settle the payable tax credits and liabilities on the basis of their net amount or to realize the credits and settle tax liabilities simultaneously.

A deferred tax credit is posted only insofar as it is likely that HiPay Group will record future taxable profits to which the corresponding timing difference can be charged. The deferred tax credits are considered on each close date and are reduced to the extent that it is no longer likely that a sufficient taxable profit will be available.

1.18. Revenue recognition

HiPay has two European banking licenses:

- A payment licence obtained from the ACPR (Autorité de Contrôle Prudentiel et de Résolution) in August 2011 by HiPay SAS which allows HiPay Group to provide payment services;
- An electronic money issuer licence obtained from the NBB (National Bank of Belgium) in December 2008 by HPME with an European passport, which allows HiPay Group to propose its electronic wallet solution overall in all European Union countries.

HiPay offers merchants a complete payment solution (bank cards, local payment methods, transfer, etc.) and intervenes to provide a technical and service delivery to merchants.

The turnover corresponds to the commissions invoiced to the latter.

1.19. Operating profit

Operating profit is obtained by deducting, from the current operating profit, the charges for stock options and free shares and the other non-recurring charges. Non-current charges may include impairment of assets, capital gains or losses on disposal of consolidated companies or of activities, restructuring charges of an unusual nature which may disturb the readability of the current operating income, expenses related to exceptional terminations of contracts, business litigations or any other significant non-current expense or product.

Note 2. Financial risk management

The Group is exposed to the following risks connected to the use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note provides information concerning HiPay Group's exposure to each of the above risks, its objective, its policy and procedures for measuring and managing risk and capital.

It is incumbent on the Board of Directors of HiPay Group to define and monitor the framework for the risk management.

2.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from client's receivables.

The HiPay Group's exposure to the credit risk is influenced mainly by the individual characteristics of the customers. The statistical profile of customers, particularly including the risk of default by activity sector and country in which the customers do business, has no real influence on the credit risk. There is no concentration of the credit risk, whether with respect to the customers or geographically speaking.

HiPay Group has defined a credit policy under which the solvency of each new customer is analyzed individually before it can benefit from the payment and delivery conditions offered by the Group. To that end, the Group uses external ratings, when they are available. The customers that are not meeting HiPay Group demands, with respect to solvency may not conclude any transactions with the Group unless they pay for their orders in advance.

At each closing, the Group determines a level of impairment representing its estimate of the losses on receivables and other debts, and investments. This impairment is determined by an analysis of individualized significant risks.

2.2. Liquidity risk

The liquidity risk corresponds to the risk that HiPay Group encounters difficulties in honoring its debts when they come due. The Group's approach for managing the liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they come due, under normal or "tense" conditions, without incurring any unacceptable losses or impairing the Group's reputation.

HiPay Group has established management of the cash flow needs, aimed at optimizing its return of cash flow on investment. This excludes the potential impact of extreme circumstances, such as natural disasters, that the group would be unable to predict.

The Group has carried out a specific review of its liquidity risk and considers that it is in a position to meet its future deadlines.

2.3. Market risk

2.3.1. Currency risk

Currency risk is the risk that changes in exchange rates affects the Group's earnings or the value of the financial instruments. Currency risk management aims to control market risk exposures in acceptable limits, while optimizing both (profitability/risk).

HiPay Group is exposed to an exchange risk on revenues outside the euro area (primarily Latin America and the United States). Futhermore, in the online payment business, the currency of repayment to the partner sites may differ from that of income received. A variation of currencies would have no significant impact on the financial statements of HiPay.

Note 3. Consolidation scope

3.1. List of the group companies

Company name	Country	31 Dec 2018 % Interest	31 Dec 2017 % Interest	Consolidation method	Legal form	Date of creation / acquisition	Closing dates
HiPay Group SA	France	100%	100%	FC	parent company	16.03.15	31.12
HPME SA	Belgium	100%	100%	FC	subsidiary	08.05.08	31.12
HiPay Payment do Brasil LTDA	Brazil	100%	100%	FC	subsidiary	16.11.11	31.12
HiPay Portugal LDA	Portugal	100%	100%	FC	subsidiary	22.01.15	31.12
HiPay LLC	USA	100%	100%	FC	subsidiary	10.02.16	31.12
Stichting	Netherlands	100%	100%	FC	foundation	10.04.12	31.12
HiPay SAS	France	100%	100%	FC	subsidiary	08.02.06	31.12

New entry into the consolidation scope: Stiching Foundation Payments HPME (not significant since its creation).

Note 4. Payroll Charges

The breakdown of the payroll charges between salaries, social security charges and provisions for end-of-career indemnities are as follows:

in thousands of Euros	December 31st, 2018	December 31st, 2017
Salaries	7 556	6 074
social security charges	3 898	3 109
Provision for end of career indemnities (variation)	16	19
Payroll charges	**11 470**	**9 202**

Average staff changes are as below:

	December 31st, 2018	December 31st, 2017
Average staff	174	161

In order to support the growth of the current and future activity, the group has strengthened its teams and added new skills necessary for the development.

Note 5. Financial result

in thousands of Euros	December 31st, 2018	December 31st, 2017
Financial incomes	15	615
Financial expenses	-2 323	-384
Financial net result	**-2 309**	**232**

On December 31st, 2018, Financial expenses mainly consisted of the price adjustment related to the Mobiyo SAS sale in July 2017, and in particular the cancellation of the additional price product estimated at 31 December 2017 at € 2 million. In fact, the financial data received for 2018 makes it unlikely to settle the price supplements provided for in the contract for the 2019 and 2020 financial years.

On December 31st, 2017, the financial result consists mainly of the profit on the sale of non-consolidated investments of €0.4 million (see note 11) and a net foreign exchange loss of € 0.1million.

Note 6. Tax on profit or loss

The tax expense can be analysed as shown below:

in thousands of Euros	December 31st, 2018	December 31st, 2017
Current taxes	- 446	- 254
Deferred taxes	-	- 63
Tax (charge)/Proceeds	**- 446**	**- 317**
Effective tax rate (%)	*-6%*	*-8%*

The discrepancy between the effective tax rate and the theoretical tax rate can be analysed as shown below:

in thousands of Euros	December 31st, 2018	December 31st, 2017
Tax rate in France	**28%**	**33%**
Theoretical tax (charge)/proceeds	2 232	1 409
Elements concerning the comparison with the effective rate:		
Effect on rate modification	-	-
Difference of tax rate between the countries	69	56
Effect of non-asset deficit transfers from the fiscal year	- 2 177	- 1 531
Permanent differences and temporaries	- 430	- 69
Taxes without basis	- 140	- 183
Real tax (charge)/proceeds	**- 446**	**- 317**
Effective tax rate	*-6%*	***-8%***

On December 31st 2018, the effective tax rate results primarily from non-recognized deferred taxes on HiPay Group SA tax losses.

Note 7. Goodwill

At December 31st, 2018, goodwill amounted to € 40.2 million in gross and net value.

The group did not identify as of December 31st, 2018 any indication of impairment on this business.

As part of the goodwill value review, an impairment test was performed as of December 31st, 2018. This procedure, based on the discounted future cash flow method, consists of measuring the recoverable amount of the CGU that generates its own cash flow.

The main assumptions in order to determine the value of the cash generating units are as follows:

- method for valuation of the cash generating unit: value in use,
- number of years for which the cash flows are estimated and projected to infinity: 5 years (2019-2023),
- long-term growth rate: 1.5%
- discount rate: 10.78%,
- growth rate of sales online with the rates observed in the past few years.

The business plan is based on the 2019 budget approved by the Board of Directors and management estimates for 2020-2023.

The discount rate corresponds to the weighted average cost of capital. It was calculated by the company according to the standards on the basis of sectoral data, and the market data source for the beta, the risk-free rate, the risk premium and the debt.

The result of this impairment test did not lead to the recognition of a loss of value, on December 31st, 2018.

Moreover, a sensitivity analysis calculating the variation in key parameters did not point to any likely scenario in which the recoverable value of the CGU will become less than its book value. The key parameters variations used for the sensitivity analysis are presented below:

	Discounting rate		Growth rate to infinity		Revenue Growth Rate 2019-2023
	Rate used	Var	Rate used	Var	Var
E-Payment	10,8%	+150 pts	1,5%	-150 pts	-500 pts

In the impairment test, the above variables have been adjusted separately and two per two the results didn't show any scenario where the recoverable value of the CGU becomes lower than its accounting value.

Note 8. Intangible assets

The development expenses activated during the period are shown on the line "Software programs and licences", and correspond primarily to:

- Business Intelligence platform developments,
- Integration of new payment methods on our platforms,
- Developments of our internal tools (invoicing tools, sales management tools, etc).

The changes to the gross values of the intangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	Transfer	Increase	Decrease	December 31st, 2018
Software and licenses	12 032	2 649	-799	-	13 882
Trademarks	51	-	-	-	51
Fixed assets in progress	580	-2 649	2 737	-	668
Other	169	-	-	-17	152
Total	**12 832**	**-**	**1 937**	**-17**	**14 753**

The changes to the accumulated depreciation and impairment of the intangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	Transfer	Increase	Decrease	December 31st, 2018
Software and licenses	- 8 093	-	- 1 853	-	- 9 946
Trademarks	- 1	-	-	-	- 1
Fixed assets in progress	-	-	-	-	-
Other	- 152	-	-	-	- 152
Total	**- 8 245**	**-**	**- 1 853**	**-**	**- 10 098**

The changes to the net values of the intangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	December 31st, 2018
Software and licenses	3 939	3 936
Trademarks	50	50
Fixed assets in progress	580	668
Other	17	-
Total	**4 587**	**4 654**

Note 9. Tangible fixed assets

The changes to the gross values of the tangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	Increase	Decrease	December 31st, 2018
Fittings & installations	597	246	-	843
Office equipment and computer hardware	1 339	412	-2	1 750
Furniture	129	55	-	184
Total	**2 064**	**714**	**-2**	**2 777**

The changes to the accumulated depreciation and impairment of the tangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	Increase	Decrease	December 31st, 2018
Fittings & installations	-14	-84	-	-98
Office equipment and computer hardware	-1 149	-208	1	-1 356
Furniture	-35	-26	-	-61
Total	**-1 198**	**-318**	**1**	**-1 515**

The changes to the net values of the tangible fixed assets are shown below:

in thousands of Euros	December 31st, 2017	December 31st, 2018
Fittings & installations	583	745
Office equipment and computer hardware	190	394
Furniture	94	123
Total	**867**	**1 262**

The reprocessing of lease credits, contracted in 2018, increased acquisitions by € 0.34 million.

Note 10. Deferred taxes

On December 31st, 2018, deferred taxes are mainly composed of deferred tax assets relating to loss carryforwards.
No deferred tax assets were recorded for the tax loss carry-forward in 2018.

On December 31st, 2018, the balance of non-activated loss carry-forward for the HiPay Group amounts to €15.82 million (in base).

Note 11. Other financial assets

On December 31st, 2018 the other financial assets break down as follows:

in thousands of Euros	December 31st, 2018	December 31st, 2017
Other securities	-	-
Other financial assets	-	2 000
Deposits and sureties	401	154
Total	**401**	**2 154**

The variation of the other financial assets is explained by the cancelation of the price adjustment, estimated at December 31st, 2017 at €2 million (see note 5).

Note 12. Customers and other debtors

in thousands of Euros	December 31st, 2018	December 31st, 2017
Receivables and invoices to be established	705	248
Depreciation	-57	-
Receivables and other debtors	648	248

The book value indicated above represents the maximum exposure to the credit risk on this item.

The changes to the aging of the non-assigned trade receivables at the closing date are shown below:

in thousands of euros	December 31st, 2018	December 31st, 2017
Unmatured (*)	316	213
0-30 days	80	25
31-120 days	191	0
121-360 days	62	10
More than one year	56	-
	705	248

(*) All the unmatured receivables are less than one year

Note 13. Other current assets

in thousands of Euros	December 31st, 2018	December 31st, 2017
Tax assets	4 707	3 960
Prepaid charges	469	203
Available cash balance	55 153	39 082
Other	565	821
Other current assets	60 893	44 065

All other current assets mature at under one year (except security deposits).

The tax and social assets item consist primarily of VAT receivables and debts to social and fiscal institutions.

Available cash balance concerns the HiPay FullService business in Belgium and in France. It amounts to € 55.2 million at the end of 2018 against € 39.1 million at the end of 2017 and relate to the financial commitments resulting from the issuance of electronic money and payouts to websites (see note 17 Other debts and current liabilities).

In compliance with current regulation, cash received for the execution of a payment transaction – or cash collected in consideration of the issuance of electronic money for HPME – is invested in one or several accounts specifically opened for this purpose in a credit institution authorized in a Member State of the European Community or in another State that is part of the European Economic Area agreement. Those accounts are identified separately from all other bank accounts that are used by the company for its own use purposes.

Note 14. Cash and cash equivalents

in thousands of Euros	December 31st, 2018	December 31st, 2017
"OPCVM" fund shares	1 200	2 551
Cash reserve with the factor	-	-
Liquid assets	1 461	5 436
Cash and cash equivalents	2 662	7 987
Bank overdrafts	-143	-
Short-term financial liabilities and bank overdrafts	-143	-
Cash net	2 518	7 987

A partnership current account agreement was entered into on March 1st, 2019 between BJ Invest SAS and HiPay Group SA. This agreement allows the company to benefit from available cash advances up to a maximum of € 5 million. In this context and taking into account the evolution of the volumes and margins planned for the 2019 financial year on the basis of the 2018 achievements, the continuation of the company's activities may be ensured over the coming year.

Note 15. Long-term borrowings and financial liabilities

A loan of €650 thousand was contracted with BNP Paribas on January 12th, 2018 to finance the works in the new premises.

Two loans with BPI were contracted in the second half of 2018, amounting to €1,500 thousand and €3,000 thousand. Refunds Repayments (when you start to payoff the loan) will begin in 2021 and end of 2020.

in thousands of Euros	December 31st, 2018	December 31st, 2017
Loans from a credit institution	5 054	-

Detail:

in thousands of Euros		
Position at the beginning of the period		0
Loan contracted on January 12, 2018		5 150
Repayment of loans		96
End position of the period		5 054
	Less than one year	129
	from 1 to 5 years	3 350
	to + 5 years	1 575

The Hipay SAS (2015, 2016 and 2017) research tax credit receivables were financed for € 1 914 thousand representing 95% of the receivables. These receivables remain in the assets of the company.

in thousands of Euros	December 31st, 2018	December 31st, 2017
Financing of the research tax credit	2 295	1 161

We have also restated the lease credits contracted in 2018, as required by IAS 17:

in thousands of Euros	December 31st, 2018	December 31st, 2017
Credit bail	266	-

Note 16. Non-current provisions

16.1. Details concerning non-current provisions

in thousands of euros	December 31st, 2018	December 31st, 2017
Provisions for risks and charges	476	400
End-of-career benefits	168	152
Non-current provisions	644	552

16.2. Provisions for risks and charges

in thousands of euros	December 31st, 2017	Increase	Decrease - Non used	Decrease - Used	December 31st, 2018
Non-current provisions	400	76	-	-	476

Provisions for risks and charges recognized during the year cover mainly tax and commercial risks.

16.3. Provisions for retirement

The provisions recognized mainly concern French entities. They relate to retirement indemnities. The valuation of these provisions is calculated using the method of projected credit units in accordance with the provisions of the SYNTEC collective agreement.

The provision evolves as follows:

in thousands of euros	December 31st, 2018	December 31st, 2017
Discounted value of the obligations as at January 1	152	180
Cost of services rendered and financial cost	16	19
Actuarial losses/(gains) recognized in equity	-	-
Change in scope	-	-47
Discounted value of the obligations as at December 31	**168**	**152**

The assumptions used in the assessment of pension liabilities for the French entities at closing are as follows:

	2018	2017
Discounting rate	1,60%	1,30%
Rate of future increase of salaries	2,50%	2,50%
Retirement age (Executives)	67 years	67 years
Retirement age (Non-Executives)	62 years	62 years
Actuarial table	INSEE F 2008 - 2010	INSEE F 2008 - 2010

Note 17. Other current debts

All other debts mature at under one year, except attendance fees.

in thousands of Euros	December 31st, 2018	December 31st, 2017
Tax and social liabilities	3 366	3 813
Debts on fixed assets	91	-
Prepaid income	-	-
Other liabilities	52 887	39 210
Other current liabilities	**56 344**	**43 023**

The Tax and social liabilities item primarily consists of VAT debts and debts to employees and social institutions.

The other debts are notably comprised of the financial commitments arising from the issuance of electronic money and from the ongoing payouts from merchant sites using the platform FullService (see Note 13 Other current assets)

Note 18. Working capital requirement

in thousands of Euros	notes	December 31st, 2017	Cash impacts	Other movements	December 31st, 2018
Customers and other debtors	Note 12	248	400	0	648
Tax assets	Note 13	3 960	747	0	4 707
Prepaid charges	Note 13	203	266	0	469
Other receivables	Note 13	39 903	12 284	3 531	55 718
Sub-total asset (1)		44 313	13 697	3 531	61 541
Suppliers and other creditors		5 958	-1 020	0	4 938
Taxation and social liabilities	Note 17	3 813	-10	-437	3 366
Prepaid income	Note 17	0	0	0	0
Other liabilities	Note 17	39 210	11 438	2 330	52 978
Sub-total liabilities (2)		48 981	10 408	1 893	61 282
Working capital required (1)-(2)		**-4 668**	**3 289**	**1 638**	**259**

The change in working capital requirements is mainly due to the settlement of trade payables prior to 2018 and the change in balance sheet items related to the payment activity.

Note 19. Stock option plan and allocations of free shares

	Plan n°1	Plan n°2	Total
Meeting date	15 Jun. 15	02 May 16	
Date of the Board of Directors' meeting	28 May 15	16 Jun. 17	
Total number of shares allocated	129 545	27 000	156 545
Including the number of shares that can be subscribed to by the authorized agents	30 455	-	30 455
Including the number of shares that can be subscribed to by the leading ten employee allocated	-	27 000	27 000
Number of cancelled shares	99 090	9 000	108 090
Number of shares definitively allocated as at Dec. 31, 2018	-	-	-
Number of shares that can be definitively allocated	30 455	18 000	48 455
End of acquisition period	29 Jun. 17	16 Jun. 20	
End of retention period	29 Jun. 19	16 Jun. 20	
Share price on the date of the Board of Directors meeting	14.13	12.64	
Non-transferability discount	yes	oui	
Fair value of the free share	12.02	9.88	

The financial impact related to these plans is presented under "Stock based compensation" in the income statement.

Note 20. Off-balance sheet commitments

20.1. Commitments received

The Mobiyo SAS sale agreement includes the payment of a price supplement of a maximum value of € 3 million, based on the revenue generated in 2018, 2019 and 2020.

There is therefore an off-balance sheet commitment received up to the difference, thus 2 million euros, is not the probabilité of accident is a faible.

20.2. Commitments given

As part of the sale of Mobiyo SAS, the group has granted a liability guarantee to GibMedia SAS. This liability guarantee is capped at 30% of the price paid, and will expire on December 31st, 2020.
As of December 1st, 2017, HiPay Group moved its head office to a building whose principal lessee is BJ Invest SAS. This sublease contract has a fixed term of 6 years.

In the context of a dispute between the tax authorities and HiPay SAS, the latter has proceeded to a pledge of its business base.

20.3. Claims

In previous years, Group companies were subject to tax audits. Some rectification proposals have been challenged and make subject to litigation. For the most part, these adjustments have not been subject to provisions in the accounts to the extent that the Company and its advisers consider that it has serious chances of success in the litigation.

Note 21. Events occurred since FY2018 close

On January 16, 2019, HiPay Group SA proceeded to a capital increase of 2,996,131.10 Euros in cash in the capital of HiPay SAS to bring it to 6,355,080 euros.

Note 22. Transactions between related parties

22.1. Compensation of the members of the management bodies

22.1.1. Remuneration of executive corporate officers

	December 31st, 2018		December 31st, 2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Grégoire Bourdin, CEO				
Fixed remuneration	200 000	200 000	200 000	200 000
Variable remuneration	27 000**	27 000**	50 000	0
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Fringe benefits*	15 056	15 056	18 544	18 544
Total	242 056	242 056	268 544	218 544
Gabriel de Montessus, ex-DG				
Fixed remuneration	-	-	-	-
Variable remuneration	-	-	-	40 000
Exceptional remuneration	-	-	-	726 758
Attendance fees	-	-	-	-
Fringe benefits*	-	-	-	-
Total	-	-	-	766 758

* guaranteed loss of employment, vehicle and additional retirement
**variable compensation paid in 2018 for the 2017 financial year

The Company has taken out a loss of employment guarantee contract and a supplementary retirement contract for its executive Director. The costs related to these commitments are limited to the payment of insurance premiums.

22.1.2. Remuneration of other corporate officers

Only independent members of the board of directors receive attendance fees (currently an administrator). The amount authorized by the Shareholders' Meeting of May 2nd, 2016 and which should have been distributed for the 2016, 2017 and 2018 financial years amounts to € 40,000 per year.

22.2. Other related parties

On December 1st, 2017, HiPay Group moved its head office into a building whose principal lessee is BJ Invest SAS. This agreement was authorized by the Board of Directors at its meeting of August 31st, 2017. The annual rent amounts to €799 thousand (excluding charges).

HiPay Group is also related to BJ Invest SAS by payroll services. This expense amounted to € 28 thousand for 2018.

A payment service agent agreement has been concluded between HiPay SAS and Mobiyo. Mobiyo's activity of providing an operator-based payment solution requires the support of a payment service provider whose activity is regulated, while the commercial and technical service is provided directly by Mobiyo to its customers. This service amounts to 22 K € on 2018.

22.3. Transactions with subsidiaries

HiPay Group SA invoices its subsidiaries for management fees, which are eliminated in the consolidated financial statements.

HiPay SAS charges Group companies :
- assistance in the areas of management control and tax and social accounting,
- re-invoicing of technical personnel,
- re-invoicing of IT developments,

which are then eliminated in the consolidated financial statements.

Note 23. Audit fees

in thousands of Euros	KPMG				Mazars				Total			
	Amount (ex VAT)		%		Amount (ex VAT)		%		Amount (ex VAT)		%	
Audit	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Statutory audit, review of individual and consolidated accounts												
- HiPay Group SA	74	50	38%	26%	100	52	100%	58%	174	102	59%	36%
- Fully consolidated subsidiaries	122	144	62%	74%	-	37		42%	122	181	41%	64%
Other services non related to audit mission												
- HiPay Group SA												
- Fully consolidated subsidiaries												
Total	**196**	**194**	**100%**	**100%**	**100**	**89**	**100%**	**100%**	**296**	**283**	**100%**	**100%**