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**Advanced Payment
Solutions Limited and its
subsidiary undertaking**

FINANCIAL STATEMENTS

**For the year ended
31 March 2011**

Company Registration no: 4947027

Advanced Payment Solutions Limited and its subsidiary undertaking
OFFICERS AND PROFESSIONAL ADVISERS

Financial Statements for the year ended 31 March 2011

Company registration number 4947027

Registered office 6th Floor
One London Wall
London
EC2Y 5EB

Directors R T Wagner
J G Jones
S B Galasso
D R Dixon

Secretary R K Dear

Bankers Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Auditor Grant Thornton UK LLP
Chartered Accountants
Registered Auditor
Finsbury Square
London
EC2P 2YU

Advanced Payment Solutions Limited and its subsidiary undertaking

Financial Statements for the year ended 31 March 2011

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Advanced Payment Solutions Limited and its subsidiary undertaking
REPORT OF THE DIRECTORS

Financial Statements for the year ended 31 March 2011

The directors present their report and the audited financial statements of the group for the year ended 31 March 2011

Principal activities

The principal activity of the group during the year was the issuing and distribution of prepaid payment cards. The principal activity of the company during the year was the distribution of prepaid payment cards.

Business review

The Directors were very pleased with the year's performance which for the first time in the Group's history saw the business achieve profitability with a trading ebitda of £33k (2010 £1,119k loss), an unparalleled achievement in the prepaid industry and a significant improvement in performance. Revenue increased by 6% to £7.4m (2010 £7.0m) which given the difficult economic conditions with the economy recovering slowly from recession, was a satisfactory improvement in top-line growth.

The achievement of profit in the year was underpinned by improving margins as the business continued to offer and develop added value functionality to its customers, whilst achieving lower costs through more streamlined operation with automation and more effective outsourcing in some of the key operational areas. This activity resulted in a gross margin improvement to 58% of sales (2010 54%).

The business launched a flexible lending solution to good standing customers with the introduction of its iAdvance product. This product provides short term funds to customers to pay bills, who may be experiencing difficulty in satisfying all their credit obligations in a given month. This is a complementary product to the core payment solution and satisfies a genuine consumer need to facilitate bill payments via a credit offering from a reputable source whilst improving the businesses margins. The business will look to extend this capability in the coming year by offering faster access to credit through virtual accounts, and by giving the customer the option for APS to pay their bills directly to their service provider, following the approval of a credit loan.

In addition to the current comprehensive functionality already available which not only includes short term lending (as mentioned above) but also credit builder, bill pay and currency card offerings for both euro and dollar, APS introduced Agency Banking capability. This has enabled all customers to be allocated a unique sort code and account number replicating a traditional bank account structure for the customer's prepaid account. With this, the business has been able to offer near real time loads via bank transfers through faster payments, a unique offering in the prepaid sector. These efforts helped APS see transaction volumes through the card continued to grow with a total volume loaded in the year ended March 2011 of £183m (2010 £163m) up 12% on the prior year.

Another exciting development aligned to Agency Banking to be launched in July / August this year will be the capability of customers to pay via direct debit payments which will provide the customer with all the functionality enjoyed with a traditional bank account.

In looking forward, the Directors consider consolidating and expanding the credit offering, utilising further the Agency Banking capability, and extending the reach of payment services to both consumer and corporate markets as priority. The business is able to offer through its prepaid card / payment services, a very effective mechanism for expense disbursement for the SME sector. It has been noted that a growing number of SME's already utilise this product which is also relevant to local government benefit disbursement where a first deal was signed with Nottingham Council in April 2011 relating to healthcare payment disbursements.

Advanced Payment Solutions Limited and its subsidiary undertaking
REPORT OF THE DIRECTORS

Financial Statements for the year ended 31 March 2011

The business also looks to further leverage the new Electronic Money Institution status gained by its subsidiary, APS Financial Ltd (AFL). The Directors were pleased to note that AFL was the first prepaid company to achieve this status on a European level including transition of its passported European licenses, following the introduction of the European Electronic Money Regulations on 1st May 2011. This will allow AFL to further opportunistically develop bank sponsorship partnerships for both card issue and acquiring and undertake both regulated and non regulated payment services directly through the subsidiary if appropriate.

Financial objectives review

The Group's principal financial instruments comprise cash and non-bank borrowings and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks. The main risks arising from the company's financial instruments are interest rate and liquidity. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Interest rate risk

The Group finances its operations through a mixture of retained profits and fixed interest borrowings. The company exposure to interest rate fluctuations on its interest income from deposits is managed by continual liaison with the company's bankers and the evaluation of the potential use of the bank's various interest rate products and deposits.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by detailed cash flow analysis and forecasts and issuing share capital including convertible preferred shares as necessary.

The maturity of borrowings is set out in note 12 to the financial statements.

Credit risk

The Group and the company is exposed to the credit risk on cash balances in transit from retailers and customer and corporate balances with the Company's bankers. Bank balances and customer deposits are maintained with reputable UK high street banks.

Directors

The present membership of the Board is set out below. All served on the Board throughout the year.

R T Wagner
J G Jones
S B Galasso
D R Dixon

Advanced Payment Solutions Limited and its subsidiary undertaking
REPORT OF THE DIRECTORS

Financial Statements for the year ended 31 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnity insurance

The company provides indemnity insurance for its directors and other key personnel.

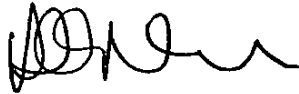
Advanced Payment Solutions Limited and its subsidiary undertaking
REPORT OF THE DIRECTORS

Financial Statements for the year ended 31 March 2011

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act

BY ORDER OF THE BOARD



R K Dear
Secretary

16 June 2011

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Advanced Payment Solutions Limited and its subsidiary undertaking**

We have audited the financial statements of Advanced Payment Solutions Limited and its subsidiary undertaking for the year ended 31 March 2011 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Advanced Payment Solutions Limited and its subsidiary undertaking**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

16 June 2011

Advanced Payment Solutions Limited and its subsidiary undertaking
PRINCIPAL ACCOUNTING POLICIES

Financial Statements for the year ended 31 March 2011

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below

After considering the matters noted in business review section within the Report of the Directors, reviewing the cash flow forecasts as well as the basis of the financial statements preparation, the directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2011. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The amount of the profit for the financial period dealt within the financial statements of Advanced Payment Solutions Limited is disclosed in note 15, to the financial statements.

Turnover

Turnover represents fees and commissions receivable and other revenue generated from the normal operation of the customer accounts in respect of the period. Initial fees are recognised after the first monetary load, and monthly fees are recognised in the month raised where there is available credit on the cardholder's account. Commissions are earned and recognised on the date the transactions occurs giving rise to that commission. Credit revenues are recognised on the date repayments are due.

Fixed assets

All fixed assets are initially recorded at cost.

Tangible Fixed Assets and Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are

Computer equipment	3 years
Fixtures and fittings	5 years
Equipment	3 years
Software	2 - 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Share based payments

Certain group employees are allowed to acquire shares of the company under share option schemes. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is usually measured using a binomial model, taking account of the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest where forfeiture is due to performance criteria not being met during the life of the option.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

The calculation of financial liabilities requires the exercise of a significant level of judgement and the use of estimates.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoice amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Advanced Payment Solutions Limited and its subsidiary undertaking
PRINCIPAL ACCOUNTING POLICIES

Financial Statements for the year ended 31 March 2011

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process

Leases

Rentals incurred under operating leases are charged to the profit and loss account in equal amounts over the lease term

Advanced Payment Solutions Limited and its subsidiary undertaking
CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial Statements for the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	1	7,438,267	7,006,299
Cost of sales		<u>(2,806,927)</u>	<u>(2,913,696)</u>
Gross profit		4,631,340	4,092,603
Administrative expenses		<u>(4,598,320)</u>	<u>(5,212,067)</u>
Earnings before interest, tax, depreciation and amortisation		33,020	(1,119,464)
Depreciation & amortisation		<u>(308,886)</u>	<u>(342,554)</u>
Operating loss	2	(275,866)	(1,462,018)
Interest payable and similar charges	3	(1,284,209)	(1,158,602)
Interest receivable		<u>21,254</u>	<u>12,854</u>
Loss on ordinary activities before taxation		(1,538,821)	(2,607,766)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(1,538,821)</u>	<u>(2,607,766)</u>

All transactions arise from continuing operations

There were no recognised gains or losses other than the results for the financial year as set out above

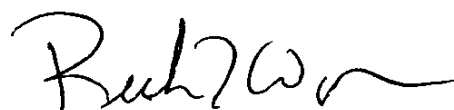
The accompanying accounting policies and notes form an integral part of these financial statements

Advanced Payment Solutions Limited and its subsidiary undertaking
CONSOLIDATED BALANCE SHEET AT 31 March 2011

Financial Statements for the year ended 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	7		187,786		412,460
			<u>187,786</u>		<u>412,460</u>
Current assets					
Stocks	8	173,517		121,176	
Debtors	9	2,336,828		1,723,536	
Cash at bank and in hand	10	10,261,495		8,970,233	
		<u>12,771,840</u>		<u>10,814,945</u>	
Creditors: amounts falling due within one year	11				
Deposits from cardholders		(8,656,064)		(7,228,262)	
Other		<u>(2,636,106)</u>		<u>(11,589,579)</u>	
Net current assets/(liabilities)			<u>1,479,670</u>		<u>(8,002,896)</u>
Total assets less current liabilities			<u>1,667,456</u>		<u>(7,590,436)</u>
Creditors: amounts falling due after more than one year	12		16,397,491		5,611,467
Capital and reserves					
Called-up equity share capital	13	3,144		3,134	
Share premium account	15	274,737		270,733	
Share option reserve	15	72,576		65,901	
Other equity reserve	15	1,602,429		1,602,429	
Profit and loss account	15	<u>(16,682,921)</u>		<u>(15,144,100)</u>	
Deficit	16		<u>(14,730,035)</u>		<u>(13,201,903)</u>
			<u>1,667,456</u>		<u>(7,590,436)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2011 and are signed on their behalf by



R T Wagner - Director

Company registration no 4947027

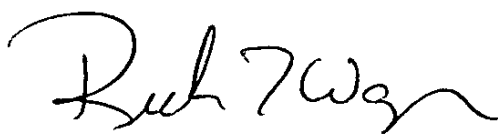
The accompanying accounting policies and notes form an integral part of these financial statements

Advanced Payment Solutions Limited and its subsidiary undertaking
COMPANY BALANCE SHEET AT 31 March 2011

Financial Statements for the year ended 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Investments	6		800,000		800,117
Tangible assets	7		<u>187,786</u>		<u>412,460</u>
			987,786		1,212,577
Current assets					
Stocks	8	173,517		121,176	
Debtors	9	1,242,929		892,540	
Cash at bank and in hand	10	<u>1,561,721</u>		<u>1,470,704</u>	
		2,978,167		2,484,420	
Creditors: amounts falling due within one year	11	<u>(2,521,804)</u>		<u>(11,487,928)</u>	
Net current assets/(liabilities)			<u>456,363</u>		<u>(9,003,508)</u>
Total assets less current liabilities			<u>1,444,149</u>		<u>(7,790,931)</u>
Creditors: amounts falling due after more than one year	12		16,397,491		5,611,467
Capital and reserves					
Called-up equity share capital	13	3,144		3,134	
Share premium account	15	274,737		270,733	
Share option reserve	15	72,576		65,901	
Other equity reserve	15	1,602,429		1,602,429	
Profit and loss account	15	<u>(16,906,228)</u>		<u>(15,344,595)</u>	
Deficit			<u>(14,953,342)</u>		<u>(13,402,398)</u>
			<u>1,444,149</u>		<u>(7,790,931)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2011 and are signed on their behalf by


R T Wagner - Director

Company registration no 4947027

The accompanying accounting policies and notes form an integral part of these financial statements

Advanced Payment Solutions Limited and its subsidiary undertaking
CONSOLIDATED CASH FLOW STATEMENT

Financial Statements for the year ended 31 March 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities			
Trading	17	147,026	(1,031,209)
Transactions with cardholders	17	<u>1,264,373</u>	<u>2,213,495</u>
		1,411,399	1,182,286
Returns on investments and servicing of finance	17	(4,945)	(56,880)
Capital expenditure and financial investment	17	<u>(77,538)</u>	<u>(188,175)</u>
Cash inflow before financing		1,328,916	937,231
Financing	17	<u>(37,654)</u>	<u>2,576,480</u>
Increase/(decrease) in cash	18	<u><u>1,291,262</u></u>	<u><u>3,513,711</u></u>

The accompanying accounting policies and notes form an integral part of these financial statements

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2011 £	2010 £
United Kingdom	<u>7,438,267</u>	<u>7,006,299</u>

2 Operating loss

Operating loss is stated after charging/(crediting)

	2011 £	2010 £
Auditor's remuneration		
- Fees payable to the company's auditor for the audit of the company's annual accounts	22,550	22,000
- Fees payable to the company's auditor for the audit of the subsidiary's accounts	9,000	8,500
- Non audit fees - taxation	4,500	4,500
Depreciation		
Tangible fixed assets owned	302,211	361,429
Share-based payment expense	6,675	(18,785)
Operating lease rentals - land and buildings	<u>76,333</u>	<u>69,464</u>

3 Interest payable and similar charges

	2011 £	2010 £
Interest payable on loans	597,823	587,975
Interest on shares classed as financial liabilities	<u>686,386</u>	<u>570,627</u>
	<u>1,284,209</u>	<u>1,158,602</u>

Advanced Payment Solutions Limited and its subsidiary undertaking**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2011

4 Directors and employees

Staff costs during the year were as follows

	2011 £	2010 £
Wages and salaries	2,350,806	2,672,101
Social security costs	282,667	330,332
	<u>2,633,473</u>	<u>3,002,433</u>

The average number of employees of the company during the year was

	2011 Number	2010 Number
Administration	50	54
Sales	3	2
	<u>53</u>	<u>56</u>

Remuneration in respect of directors was as follows

	2011 £	2010 £
Emoluments	<u>182,000</u>	<u>182,000</u>

No directors exercised share options during the year (2010 J G Jones exercised 12,750 share options at £0.45 per share)

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

5 Tax on profit on ordinary activities

(a) Taxation

	2011 £	2010 £
Current tax.		
United Kingdom corporation tax at 28 % (2010 28%)	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting the tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom 28% (2010 28%)

Loss on ordinary activities before taxation	<u>(1,537,748)</u>	<u>(2,607,766)</u>
Loss on ordinary activities multiplied by rate of tax	(430,569)	(730,174)
Effect of		
Expenses not deductible for tax purposes	194,677	3,540
Unrelieved tax losses	173,286	645,406
Depreciation for period in excess of capital allowances	66,794	83,315
Other timing differences	<u>(4,188)</u>	<u>(2,087)</u>
	-	-

The group and company has unrelieved tax losses of £12.7m (2010 £12.1m) carried forward and available for offset against future trading profits. A deferred tax asset has not been recognised in respect of those losses and will be recoverable only to the extent that the company has sufficient future taxable profits.

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

6 Investments

Company

	£
Cost	
At 1 April 2010	800,117
Movement	(117)
31 March 2011	800,000

The company owns 100% of the ordinary share capital of APS Financial Limited, which is a Financial Services Authority (FSA) registered prepaid card issuer incorporated in England and Wales

During the year the company disposed of 100% of the ordinary share capital of APS Romania Srl, a prepaid card issuer incorporated in Romania

7 Tangible fixed assets

Group and Company

	Computer equipment £	Fixtures and fittings £	Equipment £	Software £	Total £
Cost					
At 1 April 2010	480,292	42,363	18,661	1,359,810	1,901,126
Additions	11,348	-	-	66,189	77,537
At 31 March 2011	491,640	42,363	18,661	1,425,999	1,978,663
Depreciation					
At 1 April 2010	428,274	28,170	17,690	1,014,532	1,488,666
Provided in the year	39,248	8,137	756	254,070	302,211
At 31 March 2011	467,522	36,307	18,446	1,268,602	1,790,877
Net book amount at 31 March 2011	24,118	6,056	215	157,397	187,786
Net book amount at 31 March 2010	52,018	14,193	971	345,278	412,460

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

8 Stocks

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Card inventory	<u>173,517</u>	<u>121,176</u>	<u>173,517</u>	<u>121,176</u>

9 Debtors

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade debtors	80,980	19,705	80,980	1,400
Cardholder funds in transit (Note 1)	1,685,211	1,521,782	-	-
Amounts owed by group undertaking	-	-	694,923	760,110
Other debtors	371,502	40,092	335,789	40,092
Prepayments and accrued income	199,135	141,957	131,237	90,938
	<u>2,336,828</u>	<u>1,723,536</u>	<u>1,242,929</u>	<u>892,540</u>

Note 1 - represents cash due from distributors loading cardholders' accounts

10 Cash at bank and in hand

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Held in trust for cardholders (Note a)	8,395,218	6,513,053	820,785	-
Other	1,866,277	2,457,180	740,936	1,470,704
	<u>10,261,495</u>	<u>8,970,233</u>	<u>1,561,721</u>	<u>1,470,704</u>

Note a - cardholder deposits are held in a designated bank account which is subject to a separate mandate agreed and governed by the company's bankers and MasterCard in order to segregate such funds from other company assets

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

11 Creditors: amounts falling due within one year

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Deposits from cardholders				
Customer liabilities for e-money outstanding	<u>8,656,064</u>	<u>7,228,262</u>	<u>-</u>	<u>-</u>
	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Other				
Other loan	-	41,668	-	41,668
6% loan stock 2010 (Note 12)	-	9,528,015	-	9,528,015
Trade creditors	<u>364,901</u>	<u>384,162</u>	<u>229,947</u>	<u>194,225</u>
Cardholder fund loads in transit	<u>820,785</u>	-	<u>820,785</u>	-
Amounts owed to group undertaking	-	-	<u>68,339</u>	<u>108,925</u>
Other taxation and social security	<u>111,105</u>	<u>87,902</u>	<u>105,800</u>	<u>83,168</u>
Other creditors	<u>541,143</u>	<u>935,846</u>	<u>540,143</u>	<u>936,021</u>
Accruals and deferred income	<u>799,172</u>	<u>611,986</u>	<u>756,790</u>	<u>595,906</u>
	<u>2,636,106</u>	<u>11,589,579</u>	<u>2,521,804</u>	<u>11,487,928</u>

12 Creditors: amounts falling due after more than one year

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
6% loan stock 2015	<u>10,099,696</u>	-	<u>10,099,696</u>	-
Shares classed as financial liabilities (Note 13)	<u>6,297,795</u>	<u>5,611,467</u>	<u>6,297,795</u>	<u>5,611,467</u>
	<u>16,397,491</u>	<u>5,611,467</u>	<u>16,397,491</u>	<u>5,611,467</u>

6% loan stock 2015

This was rescheduled during the year and bears interest at 6% which is rolled up and total principal and interest will mature in June 2015. The loan stock is held by certain shareholders of the company including main shareholders, Trident Capital Fund VI LP and Trident Capital Fund VI Principals Fund LLC (which are funds managed by the ultimate controlling party of the Group, Trident Capital, Inc), amounting to £9,751,736 as at 31 March 2011 (2010 £9,109,555). The loan stock is unsecured.

Shares classed as financial liabilities

These include amounts due to the ultimate controlling related party, Trident Capital Fund VI LP, and other minority investors including management.

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

13 Share capital

	2011 Number	2010 Number	2011 £	2010 £
Authorised share capital.				
Ordinary shares of £0 001 each	1,132,966	1,132,966	1,133	1,133
Series A convertible preferred shares of £0 001 each	2,097,034	2,097,034	2,097	2,097
Series B preferred shares of £0 001 each	170,000	170,000	170	170
Series C convertible preferred shares of £0 001 each	407,796	407,796	408	408
Series D convertible preferred shares of £0 001 each	663,631	663,631	664	664
	<u>4,471,427</u>	<u>4,471,427</u>	<u>4,472</u>	<u>4,472</u>
Allotted, called up and fully paid:				
Ordinary shares of £0 001 each	933,335	924,417	933	924
Series A convertible preferred shares of £0 001 each	2,040,000	2,040,000	2,040	2,040
Series B preferred shares of £0 001 each	170,000	170,000	170	170
Series C convertible preferred shares of £0 001 each	407,796	407,796	408	408
Series D convertible preferred shares of £0 001 each	663,631	663,631	664	664
	<u>4,214,672</u>	<u>4,205,844</u>	<u>4,215</u>	<u>4,206</u>
Amounts presented in equity				
Ordinary shares of £0 001 each	933,335	924,417	934	924
Series A convertible preferred shares of £0 001 each	2,040,000	2,040,000	2,040	2,040
Series B preferred shares of £0 001 each	170,000	170,000	170	170
	<u>3,143,335</u>	<u>3,134,417</u>	<u>3,144</u>	<u>3,134</u>

In accordance with FRS 25 Financial Instruments Presentation, the Series C and D convertible preferred shares are compound instruments. The debt component is classed as a financial liability and disclosed within creditors. The equity component is treated as other equity reserves and forms part of shareholders' funds.

Rights of shares

Ordinary shares, Series A convertible preferred share and Series B preferred shares rank pari passu in respect of income and capital distributions. Detailed conversion rights are set out in the company's Articles of Association.

Series C and D preferred shares have a premium payable on certain events. Detailed rights are set out in the Company's Articles of Association.

Options and warrants

9,318 options were exercised during the year. Details of the share options are given in note 14.

In addition, the company has granted warrants to a third party to subscribe for up to 57,034 Series A convertible preferred shares of £0 01 at £0 071 per share and £295,945 6% loan stock 2015. These warrants are exercisable in the period from 18 April 2007 to the earlier of 18 April 2017 or 5 years after a listing.

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

14 Share based payments

Equity-settled share-based payments

The company has a share option scheme for all employees (including directors). Options are exercisable at a price determined at issue based on the share price calculated in accordance with the company's net assets. The vesting period is 4 years. There are no specific performance criteria attached to the exercise of options. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company subject to an entitlement to exercise a proportionate number of options calculated from the time of issue compared to the 4 year vesting period, provided the employee has at least one year continuous service.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Number	2011 WAEP	Number	2010 WAEP
Outstanding at the beginning of the year	149,550	£0.57	214,550	£0.48
Granted during the year	18,900	£0.95	14,400	£0.95
Exercised during the year	(9,318)	£0.45	(68,740)	£0.45
Forfeited during the year	(11,282)	£0.45	(10,610)	£0.45
Expired during the year	-	-	-	-
Outstanding at the end of the year	147,850	£0.81	149,550	£0.57
Exercisable at the year end	33,300	£0.45	33,300	£0.45

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6.6 years (2010: 5.0 years) and have the following exercise prices:

Expiry date

	Exercise price £	31 March 2011 Number
1 October 2015	0.45	27,300
1 February 2016	0.45	6,000
1 April 2016	0.45	5,900
1 July 2016	0.45	1,200
1 January 2017	0.45	1,200
1 April 2017	0.45	3,200
1 July 2017	0.45	800
1 December 2017	0.45	13,000
1 February 2018	0.45	41,650
1 July 2018	0.64	19,400
1 October 2018	0.95	900
1 April 2019	0.95	8,000
1 October 2019	0.95	400
1 April 2020	0.95	11,400
1 October 2020	0.95	7,500
		147,850

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For the year ended 31 March 2011

Share based payments (continued)

9,318 (2010 68,740) options were exercised during the year. The weighted average share price at the date of exercise was £0.47 (2010 £0.45).

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

- current share price based on business net assets
- effective interest rate of 6%
- volatility estimated at 50%
- expected maturity 4 years

2011

During the year the following options were granted:

Date of issue	Number granted Number	Weighted average share price £	Weighted average exercise price £	Expected volatility %	Expected life Years	Risk free rate %	Expected dividend yield %	Weighted average fair value at grant date £
1 April 2010	11,400	0.68	0.95	50	4	6	-	0.24
1 October 2010	7,500	0.45	0.95	50	4	6	-	0.10

Expected volatility was determined in accordance with businesses of a similar nature and size, given the relatively short period of operation and stage of the market development. The expected life used in the model has been based on management's view that options will be exercised at the earliest opportunity in order to mitigate possible personal tax liability.

15 Share premium account and reserves

Group

	Share premium account £	Share options reserve £	Other equity reserve £	Profit and loss account £
At 1 April 2010	270,733	65,901	1,602,429	(15,144,100)
Issue of shares	4,004	-	-	-
Loss for financial year	-	-	-	(1,538,821)
Equity settled share based payments	-	6,675	-	-
At 31 March 2011	<u>274,737</u>	<u>72,576</u>	<u>1,602,429</u>	<u>(16,682,921)</u>

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

Share premium account and reserves (continued)

Company

	Share premium account £	Share options reserve £	Other equity reserve £	Profit and loss account £
At 1 April 2010	270,733	65,901	1,602,429	(15,344,595)
Issue of shares	4,004	-	-	-
Loss for financial year	-	-	-	(1,561,633)
Equity settled share based payments	-	6,675	-	-
At 31 March 2011	<u>274,737</u>	<u>72,756</u>	<u>1,602,429</u>	<u>(16,906,228)</u>

The other equity reserve relates to Series C and D convertible preferred shares (see note 13)

16 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(1,538,821)	(2,607,766)
New equity share capital subscribed	4,014	31,340
Share options charge	6,675	(18,785)
Non-equity share capital subscribed	-	1,141,434
Net addition/(reduction) to shareholders' deficit	<u>(1,528,132)</u>	<u>(1,453,777)</u>
Opening shareholders' deficit	<u>(13,201,903)</u>	<u>(11,748,126)</u>
Closing shareholders' deficit	<u>(14,730,035)</u>	<u>(13,201,903)</u>

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

17 Notes to the statement of cash flows

Net cash outflow from operating activities

	2011 £	2010 £
Operating profit	(275,866)	(1,462,018)
Depreciation	302,211	361,429
Share based option scheme	6,675	(18,785)
(Increase)/decrease in stocks	(52,341)	(20,029)
(Increase)/decrease in debtors	(449,863)	(13,796)
Increase in creditors	616,210	121,990
Net cash outflow from trading activities	147,026	(1,031,209)
Decrease/(increase) in cardholder funds in transit	(163,429)	201,310
Net increases in deposits from cardholders	1,427,802	2,012,185
Net cash inflow from transactions with cardholders	1,264,373	2,213,495
Net cash inflow/(outflow) from operating activities	<u>1,411,399</u>	<u>1,182,286</u>

Returns on investments and servicing of finance

	2011 £	2010 £
Interest received	22,327	12,854
Interest paid	(27,272)	(69,734)
Net cash outflow from returns on investment and servicing of finance	<u>(4,945)</u>	<u>(56,880)</u>

Capital expenditure

	2011 £	2010 £
Payments to acquire tangible fixed assets	<u>(77,538)</u>	<u>(188,175)</u>
Net cash outflow from capital expenditure	<u>(77,538)</u>	<u>(188,175)</u>

Financing

	2011 £	2010 £
Issue of equity share capital	4,014	1,172,774
Issue of shares classed as financial liabilities	-	1,896,000
Repayment of loans	(41,668)	(492,294)
Net cash inflow/(outflow) from financing	<u>(37,654)</u>	<u>2,576,480</u>

Advanced Payment Solutions Limited and its subsidiary undertaking
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

18 Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Increase/(decrease) in cash in the year	1,291,262	3,513,711
Net cash (inflow)/outflow from loans and financial liabilities	41,668	(1,403,706)
	<u>1,332,930</u>	<u>2,110,005</u>
Non cash movements	(1,258,009)	(1,088,868)
Change in net debt	74,921	1,021,137
Net debt at the beginning of the year	<u>(6,210,917)</u>	<u>(7,232,054)</u>
Net debt at the end of the year	<u>(6,135,996)</u>	<u>(6,210,917)</u>

19 Analysis of changes in net debt

	At 1 April 2010 £	Cash flow £	Non-cash movements £	At 31 March 2011 £
Net cash				
Cash in hand and at bank	8,970,233	1,291,262	-	10,261,495
Debt				
Other loan	(41,668)	41,668	-	-
Loan stock	(9,528,015)	-	(571,681)	(10,099,696)
Shares classed as financial liabilities	<u>(5,611,467)</u>	-	<u>(686,328)</u>	<u>(6,297,795)</u>
Net debt	<u>(6,210,917)</u>	<u>1,332,930</u>	<u>(1,258,009)</u>	<u>(6,135,996)</u>

Non cash movements represent £1,121 (2010 £21,081) exchange rate movement and £1,258,067 (2010 £1,109,949) rolled up interest

20 Capital commitments

The company had no capital commitments at 31 March 2011 (2010 £976)

21 Contingent liabilities

The company co-ordinates the collection of debtor balances represented by cash due from distributors loading customer accounts. Such amounts outstanding are due to the card issuing entity, APS Financial Limited. In the event of default of payment by a distributor, the company would be liable for any unpaid amounts.

There were no other contingent liabilities at 31 March 2011 or 31 March 2010

Advanced Payment Solutions Limited and its subsidiary undertaking
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For the year ended 31 March 2011

22 Leasing commitments

At 31 March 2011, the company had annual commitments under non-cancellable operating leases as follows

	2011	2010
	Land and	Land and
	buildings	buildings
	£	£
Operating leases which expire		
Within two to five years	78,000	65,000

23 Controlling related party

The ultimate controlling party is Trident Capital, Inc. which is the fund management company of Trident Capital Fund VI LP, the fund which has a majority shareholding in Advanced Payment Solutions Limited. Both Trident Capital, Inc. and Trident Capital Fund VI LP are entities incorporated in the United States of America.

Related party transactions between the company and fellow wholly owned group entities are noted in note 12.