

Registered number: 04947027

Advanced Payment Solutions Limited

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



Advanced Payment Solutions Limited

COMPANY INFORMATION

Directors
R T Wagner
J G Jones
D R Dixon
S T Knight
A Hatami (appointed 18 December 2018)
M T J Sismey-Durrant (appointed 21 November 2018)

Company secretary R van Breda

Registered number 04947027

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

Trading Address
Cottons Centre
Cottons Lane
London
SE1 2QG

Independent auditors
Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG

Bankers
Royal Bank of Scotland
62-63 Threadneedle Street
London
EC2R 8HP

Natwest Bank
250 Bishopsgate
London
EC2M 4AA

Advanced Payment Solutions Limited

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Advanced Payment Solutions Limited

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Business review

The directors are satisfied with the year's performance and the year to March 2019 was another year of good growth for the business recording an 8th consecutive year of operating profit at £3.2m. A loss after tax of £1.1m was made in the financial year (2018: profit £1.3m) following a year of significant investment in additional growth and costs associated with the banking licence application.

Last year the Group announced its intention to apply for a banking licence and this project is now well advanced. Following a number of meetings and document submissions the Group is expecting to submit its final banking licence application in the next few months. It remains the intention of the Group to obtain authorisation during 2019.

The Group has continued to enhance its existing governance framework in readiness for bank authorisation and has made a number of key hires in Legal, Compliance, Audit and Risk functions to strengthen its second and third line defence functions. Further new senior hires have been made in IT and Operations in order to support business growth and Advanced Payment Solutions (APS) added two Non-Executive Directors to its Board.

In assessing the performance of the Group the directors review a number of key performance indicators. Revenue increased to £45.6m (2018: £38.3m), up 19.1% as the Group continued to expand further into the Small and Medium Enterprise (SME) and consumer payment and credit sectors. New sales were 169,109 (2018: 169,770) and the portfolio of active accounts on book increased to 160,784 (2018: 147,756), up 8.8%. Active accounts grew in both the SME emoney account and consumer emoney product lines. Administrative expenses grew to £33.9m (2018: £25.8m), up 31.4% to support this growth and the banking licence. This growth included £0.9m of costs associated with the banking licence and excluding these costs administrative expenses grew by 27.9%.

In 2018 the Group secured additional accordion funding under its existing debt facilities with RBS and BCI enabling it to further grow its lending, primarily into the consumer credit card sector. Credit advances after impairment increased to £31.9m (2018: £28.0m), up 13.9%. The Group also commenced a test of SME related credit cards leveraging its experience from an established consumer credit card model.

The liability side of the balance sheet continued to grow strongly with customer liabilities for e-money rising to £313.8m (2018: £242.8m), up 29.2% due to growth seen in emoney account volumes.

The Group continued to invest in innovative solutions for its chosen markets and launched an award-winning Application Programme Interface (API) product allowing thousands of simultaneous payments to be processed instantly. During the year the Group also announced its intention to launch a degradable plastic card during 2019.

Advanced Payment Solutions Limited

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Principal risks and uncertainties

The Group's principal financial instruments comprise cash and various items, such as trade and consumer debtors and trade creditors that arise directly from its operations.

The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are credit, interest rate and liquidity. The directors review and agree policies for managing each of these risks as well as operational, credit and conduct risk and are summarised below. These policies have remained largely unchanged from previous years but the group has now added a Product Group, Asset and Liability Committee (ALCO) and Conduct Risk Committee to its governance structure.

Credit risk

Credit risk is the risk that the Group will suffer loss in the event of default by a customer or third party. The Group is exposed to the credit risk on cash balances in transit from retailers and customer and corporate balances with the Group's bankers. Bank balances and customer deposits are maintained at authorised credit institutions. The Group is also exposed to credit risk on its lending programme. This risk is managed through review and monitoring of portfolio performance via its Credit Committee which meets monthly to review underwriting and evaluation of credit decisions and policy. The Credit Committee reports to the Risk Committee which meets quarterly.

Interest rate risk

Interest rate risk is the risk that adverse fluctuations may cause a variation in the financial position. The Group finances its operations through a mixture of borrowing facilities, retained profits and equity capital. The Group exposure to interest rate fluctuations on its borrowing facilities and investments is managed by evaluation of forward funding requirements. Management of these exposures takes into consideration both the variable rates associated with e-money placements and the Group's borrowing facilities, as well as the managed rates of credit advances.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources to meet obligations as they fall due. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by detailed cash flow analysis and forecasts. These are underpinned by borrowing facilities with appropriate future maturity rates. Both interest rate risk and liquidity risk are managed by the ALCO which also reports to the Risk Committee.

Conduct Risk

Conduct risk is the risk of unfair customer outcomes as a result of business strategies and practices undertaken by the group. The statutory obligation of the FCA is to protect consumers and as part of its adherence to guidelines the group maintains a conduct risk management framework which addresses the obligation of the business to assess and manage any risk that its systems and controls may cause detriment to a customer. This framework includes Credit Collections, Vulnerable Customers, Complaints and Treating Customers Fairly policies. Conduct risk is managed through the new Conduct Risk Committee which meets monthly.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This risk is primarily managed by the Operational and Security Risk Group which meets monthly and reports to the Risk Committee.

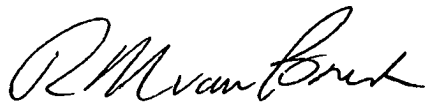
Overall Risk Governance

During the year the Group enhanced its governance framework adding the committees mentioned above and refreshing the terms of reference for its Risk Committee and the reporting of all risks across the business through this committee to the Board.

Advanced Payment Solutions Limited

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

This report was approved by the board on 20 June 2019 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R van Breda', written in a cursive style.

R van Breda
Secretary

Advanced Payment Solutions Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,091,703 (2018 -profit £1,263,379).

The directors do not recommend the payment of a dividend (2018: £nil)

Directors

The directors who served during the year were:

R T Wagner
J G Jones
D R Dixon
S T Knight
A Hatami (appointed 18 December 2018)
M T J Sismey-Durrant (appointed 21 November 2018)

Future developments

Looking forward, the directors expect another year of strong growth as the business continues to invest in marketing spend and development of SME and consumer products. The Group is also investing in the development of a Real Time Gross Settlement (RTGS) solution and expects to launch this during the course of 2020 after the Group obtains its banking licence.

Qualifying third party indemnity provisions

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

Advanced Payment Solutions Limited

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 20 June 2019 and signed on its behalf.



R van Breda
Secretary

Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Advanced Payment Solutions Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice)

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall Group materiality: £685,000, which represents 1.5% of the Group's revenues before taxation;
- Key audit matters were identified as:
- Improper revenue recognition; and
- Existence and valuation of debtors
- Our audit approach was a risk based substantive audit focused on revenue recognised in the during the year and debtors at the year end. The group comprises Advanced Payment Solutions Limited (the parent company) and APS Financial Limited, each of which are significant components, and APS Bonds PLC, which is a non-significant competent. There were no key changes in our approach from the prior year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
<p>Risk 1 The revenue cycle Includes fraudulent transactions</p> <p>The principal activity of the group and parent company during the year was that of issuing prepaid debit and credit cards and related credit products.</p> <p>The group turnover of £45.6 million is a significant balance in the Consolidated Statement of Comprehensive Income and is the main performance indicator used to assess the group's performance and growth.</p> <p>We therefore identified improper revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none">• Evaluating and testing the group's revenue recognition policy for consistency with Financial Reporting Standard (FRS) 102;• Assessing the reasonableness of the group's revenue by performing detailed substantive testing of material revenue streams including verification of data to signed customer agreements;• Using the firm's IT specialists to test the access controls to assess the integrity of the revenue reconciliation process and the transaction flows through the recording and accounting system; and• Testing management's revenue reconciliation to obtain explanation and corroboration for significant or unreasonable aged items outstanding and to assess the integrity of the reconciliation process and the transaction flows around the system. <p>The Group's accounting policy on revenue is shown in note 2.4 to the financial statements and related disclosures are included in note 4.</p> <p>Key observations</p> <p>We identified no issues in respect of the recognition of revenue during the period.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Key Audit Matter – Group and Parent

How the matter was addressed in the audit – Group and Parent

Risk 2 Existence and Valuation of debtors

The parent company offers credit products to customers and uses a loan loss provision model to estimate the valuation of the credit product receivable (credit advances). This provision is calculated using estimates by management of the level of expected loss given status of default which results in a risk of inadequate provisioning.

The credit advances balance within short-term debtors represent a significant element of the Company Statement of Financial Position, amounting to a gross position of £39.4 million as at 31 March 2019 (2018: £33.7 million). This is offset by a provision of £7.5m as at 31 March 2019 (2018: £5.7million)

We therefore identified existence and valuation of debtors as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Assessing the design effectiveness of the controls around the credit product origination process and credit checks performed on customers;
- Agreeing a sample of loans by corroborating bank payments to customer agreements so as to evidence existence of the customer;
- Assessing management's credit product provision policy for consistency with the requirements of FRS 102 and using our IT specialist auditors to reperform the year-end provision calculation; and
- Using our IT specialist auditors team to verify the completeness and accuracy of the data used in the provision calculations.

The group's accounting policy on the recognition and measurement of debtors is shown in note 2.16 to the financial statements and related disclosures are included in note 16.

Key observations

We identified no significant issues from the testing of existence and valuation of debtors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

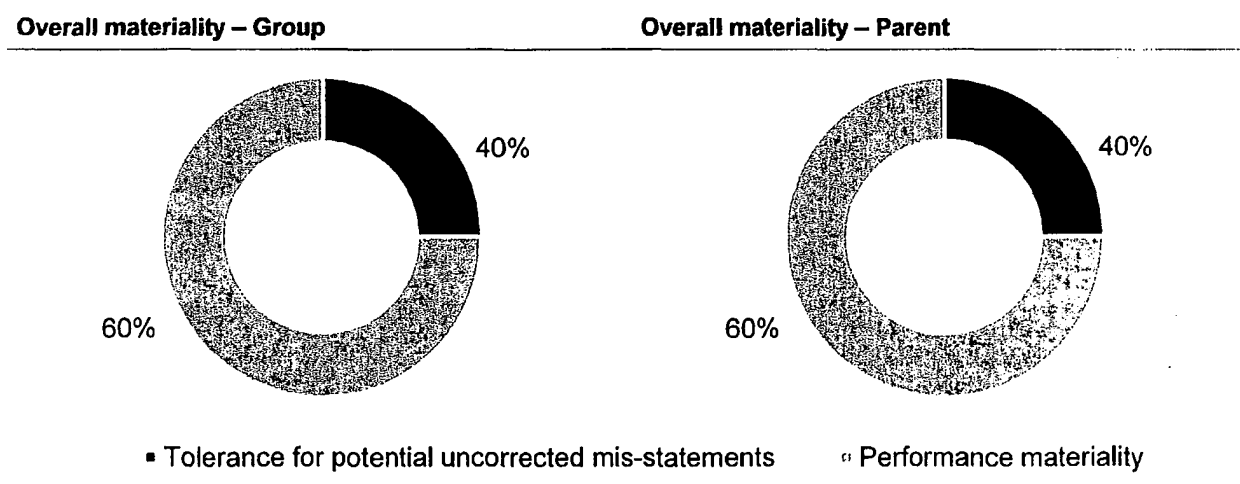
Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£685,000 which is 1.5% of total revenues. This benchmark is considered the most appropriate because APS Limited is a revenue driven business which is driven by expansion into the corporate and credit card sectors and maintaining its core customer base. Total revenue has been selected as the most relevant benchmark to the users of the financial statements as the group is still in the growth stage.	£667,000 which is 1.5% of total revenues. This benchmark is considered the most appropriate because APS Limited is a revenue driven business which is driven by expansion into the corporate and credit card sectors and maintaining its core customer base. Total revenue has been selected as the most relevant benchmark to the users of the financial statements as the group is still in the growth stage.
	Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 due to an increase in the percentage of the benchmark used and an increase in turnover from the prior year. The group's business activities have remained the same and there have not been any significant changes in key financial systems.	Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 due to an increase in the percentage of the benchmark used and an increase in turnover from the prior year. The business activities have remained the same and there have not been any significant changes in key financial systems.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Communication of misstatements to the audit committee	£34,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£33,340 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Advanced Payment Solutions Limited has the largest share of the group's turnover and expenditure, constituting more than 90% of each of group turnover and expenditure. APS Financial Limited's assets make up more than 85% of the group's total assets, mostly comprised of cash and the corresponding liability balances which are assessed as low risk. A targeted approach was used for this component;
- obtaining an understanding of IT and key financial system controls at the parent company and across the group. This included obtaining and reviewing relevant policies and procedures, making enquiries of management and evaluating the design effectiveness of relevant controls; and
- performing substantive audit procedures on specific transactions, which included journal entries and individual material balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant audit risk.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group strategic report and Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

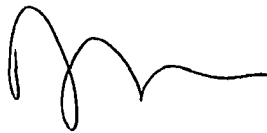
Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.



Andrew Heffron (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
30 Finsbury Square
London
EC2A 1AG
20 June 2019



Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £	2018 £
Turnover	4	45,644,966	38,273,549
Cost of sales		(8,520,589)	(6,946,156)
Gross profit		37,124,377	31,327,393
Administrative expenses		(33,920,374)	(25,820,012)
Operating profit	5	3,204,003	5,507,381
Interest receivable and similar income		-	16
Interest payable and expenses	9	(4,229,917)	(3,611,552)
(Loss)/profit before taxation		(1,025,914)	1,895,845
Tax on (loss)/profit	10	(65,789)	(632,466)
(Loss)/profit for the financial year		(1,091,703)	1,263,379
Total comprehensive income / expense for the year		(1,091,703)	1,263,379

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

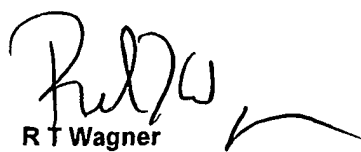
The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited
REGISTERED NUMBER: 04947027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	1,787,001	1,410,250
Tangible assets	12	1,060,856	729,853
		<u>2,847,857</u>	<u>2,140,103</u>
Current assets			
Stocks	14	204,482	156,358
Debtors: amounts falling due after more than one year	15	2,183,932	1,929,109
Debtors: amounts falling due within one year	15	42,065,031	33,362,416
Cash at bank and in hand	16	321,387,713	251,388,928
		<u>365,841,158</u>	<u>286,836,811</u>
Creditors: amounts falling due within one year	17	(346,386,669)	(267,056,665)
Net current assets		<u>19,454,489</u>	<u>19,780,146</u>
Total assets less current liabilities		<u>22,302,346</u>	<u>21,920,249</u>
Creditors: amounts falling due after more than one year	18	(33,147,547)	(31,685,747)
Net liabilities		<u>(10,845,201)</u>	<u>(9,765,498)</u>
Called up share capital	23	3,296	3,296
Share premium account	24	335,519	335,519
Share option reserve	24	160,668	148,668
Other reserves	24	1,602,429	1,602,429
Profit and loss account	24	(12,947,113)	(11,855,410)
		<u>(10,845,201)</u>	<u>(9,765,498)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 June 2019.


R T Wagner
 Director

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited
REGISTERED NUMBER: 04947027

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	1,787,001	1,410,250
Tangible assets	12	1,060,856	729,853
Investments	13	850,000	850,000
		<u>3,697,857</u>	<u>2,990,103</u>
Current assets			
Stocks	14	204,482	156,358
Debtors: amounts falling due after more than one year	15	2,183,932	1,929,109
Debtors: amounts falling due within one year	15	39,337,741	35,924,940
Cash at bank and in hand	16	3,112,938	2,849,062
		<u>44,839,093</u>	<u>40,859,469</u>
Creditors: amounts falling due within one year	17	(32,797,635)	(27,527,624)
Net current assets		<u>12,041,458</u>	<u>13,331,845</u>
Total assets less current liabilities		<u>15,739,315</u>	<u>16,321,948</u>
Creditors: amounts falling due after more than one year	18	(31,985,548)	(30,523,746)
Net liabilities		<u>(16,246,233)</u>	<u>(14,201,798)</u>
Called up share capital	23	3,296	3,296
Share premium account	24	335,519	335,519
Share option reserve	24	160,668	148,668
Other reserves	24	1,602,429	1,602,429
Profit and loss account carried forward		(18,348,145)	(16,291,710)
		<u>(16,246,233)</u>	<u>(14,201,798)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 June 2019.


R T Wagner
 Director

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a statement of comprehensive income for the company. The Company made a loss in the year of £2.31m (2018: £0.49m profit).

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2018	3,296	335,519	148,668	1,602,429	(11,855,410)	(9,765,498)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,091,703)	(1,091,703)
Share Option charge	-	-	12,000	-	-	12,000
Other comprehensive income for the year	-	-	12,000	-	-	12,000
Total comprehensive income for the year	-	-	12,000	-	(1,091,703)	(1,079,703)
Total transactions with owners	-	-	-	-	-	-
At 31 March 2019	3,296	335,519	160,668	1,602,429	(12,947,113)	(10,845,201)

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2017	3,226	321,204	136,666	1,602,429	(13,118,789)	(11,055,264)
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,263,379	1,263,379
Share option charge	-	-	12,002	-	-	12,002
Other comprehensive income for the year	-	-	12,002	-	-	12,002
Total comprehensive income for the year	-	-	12,002	-	1,263,379	1,275,381
Shares issued during the year	70	14,315	-	-	-	14,385
Total transactions with owners	70	14,315	-	-	-	14,385
At 31 March 2018	3,296	335,519	148,668	1,602,429	(11,855,410)	(9,765,498)

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2018	3,296	335,519	148,668	1,602,429	(16,291,710)	(14,201,798)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(2,056,435)	(2,056,435)
Share Option charge	-	-	12,000	-	-	12,000
Other comprehensive income for the year	-	-	12,000	-	-	12,000
Total comprehensive income for the year	-	-	12,000	-	(2,056,435)	(2,044,435)
Total transactions with owners	-	-	-	-	-	-
At 31 March 2019	3,296	335,519	160,668	1,602,429	(18,348,145)	(16,246,233)

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Share Option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2017	3,226	321,204	136,666	1,602,429	(16,781,398)	(14,717,873)
Comprehensive income for the year						
Profit for the year	-	-	-	-	489,688	489,688
Share Option Charge	-	-	12,002	-	-	12,002
Other comprehensive income for the year	-	-	12,002	-	-	12,002
Total comprehensive income for the year	-	-	12,002	-	489,688	501,690
Contributions by and distributions to owners						
Shares issued during the year	70	14,315	-	-	-	14,385
Total transactions with owners	70	14,315	-	-	-	14,385
At 31 March 2018	3,296	335,519	148,668	1,602,429	(16,291,710)	(14,201,798)

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 £	2018 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,091,703)	1,263,379
Adjustments for:		
Amortisation of intangible assets	1,605,960	1,407,654
Depreciation of tangible assets	269,650	214,507
Interest paid	2,861,693	2,357,637
Interest received	-	(16)
Taxation charge	65,789	632,466
Decrease/(increase) in stocks	66,254	(15,348)
(Increase) in debtors	(8,957,431)	(7,029,233)
Increase in creditors	73,997,912	18,241,752
Corporation tax (paid)	(177,859)	(321,835)
Share based option scheme	12,000	12,002
Net cash generated from operating activities	68,652,265	16,762,965
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,984,225)	(1,443,948)
Purchase of tangible fixed assets	(724,318)	(248,564)
Sale of tangible fixed assets	10,800	-
Interest received	-	16
Net cash from investing activities	(2,697,743)	(1,692,496)

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 £	2018 £
Cash flows from financing activities		
Issue of ordinary shares	-	14,385
New secured loans	6,905,960	6,650,000
Other new loans	-	949,861
Interest paid	(2,861,695)	(2,357,636)
Net cash used in financing activities	4,044,265	5,256,610
Net increase in cash and cash equivalents	69,998,787	20,327,079
Cash and cash equivalents at beginning of year	251,388,926	231,061,847
Cash and cash equivalents at the end of year	321,387,713	251,388,926
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	321,387,713	251,388,926
	321,387,713	251,388,926

The notes on pages 22 to 43 form part of these financial statements.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

Advanced Payment Solutions Limited is a private company limited by shares, registered in England and Wales. Its registered office is located at 6th Floor, One London Wall, London, EC2Y 5EB.

The principal activity of the company during the year was that of commissions associated with its card issuing, bank sponsorship and credit programme activities and also interest earned on deposits held in safeguarded accounts with regulated credit institutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2016.

2.3 Going concern

The group operates a centralised treasury operation and shares banking arrangements with its fellow subsidiaries. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Advanced Payment Solutions Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

Based on their assessment of the group's financial position and, despite net liabilities and current year losses, the directors of the company have a reasonable expectation that the group will return to profit and be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue 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 cardholders' account. Commissions are earned and recognised on the date the transactions occur giving rise to that commission.

Revenue is also generated from a range of different credit products:

Overdrafts have no fixed repayment terms and balances that are withdrawn and repaid on a regular basis. The fee structure includes an annual arrangement fee that is recognised over the 12 months of the agreement in addition to a charge for each period the account remains overdrawn which is recognised in the period to which it relates. Interest is charged on the balance borrowed and added to the loan and recognised in the month to which it relates.

Credit cards charge interest at an effective interest rate on the outstanding balance and recognised in the month to which it relates.

Interest earned on e-money balances held at regulated credit institutions is recognised in the Consolidated statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	2-3 years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 5 years
Fixtures and fittings	- 3 years
Office equipment	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Cash held in trust for cardholders balance relates to cardholder deposit liabilities. As per FCA regulations, these deposits are held in a designated bank accounts which is subject to a separate mandate agreed and governed by APS together with the company's bankers in order to segregate such funds from other company assets. The customer balances are held on the balance sheet and the Group takes advantage of interest income by placing these funds with authorised credit institutions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The provisions in the statements reflect the director's current view of the expected future liabilities using best judgment. The nature and inherent uncertainty relating to these judgments and estimate means that although directors are confident of its calculations the outcome may be different to the actual economic outflow.

The main areas of judgment applied in these Financial Statements are:

- Impairment of credit receivables including an incurred but not recognised provision

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

The whole of the turnover is attributable to the group's principal activity.

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	7,037	(651,383)
Other operating lease rentals	644,500	336,680

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	40,000	37,000
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	7,500	5,150
Taxation compliance services	17,750	11,250
Services relating to corporate finance transactions	31,000	30,000
	56,250	46,400

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	8,950,811	7,759,198	7,644,984	7,107,030
Social security costs	1,011,326	780,956	867,896	686,205
Cost of defined contribution scheme	123,996	52,914	104,065	47,302
	<u>10,086,133</u>	<u>8,593,068</u>	<u>8,616,945</u>	<u>7,840,537</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Administration	129	107
Sales	9	9
	<u>138</u>	<u>116</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	1,103,931	909,823
Company contributions to defined contribution pension schemes	8,654	3,900
	<u>1,112,585</u>	<u>913,723</u>

During the year retirement benefits were accruing to no directors (2018 -2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £442,225 (2018 -£369,350).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2018 -£NIL).

During the year 1 director received shares under the long term incentive schemes (2018 -NIL)

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	4,229,917	3,611,552
	<u>4,229,917</u>	<u>3,611,552</u>

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	320,185	214,026
Adjustments in respect of previous periods	-	138,730
	<u>320,185</u>	<u>352,756</u>
Total current tax	<u>320,185</u>	<u>352,756</u>
Deferred tax		
Origination and reversal of timing differences	(265,128)	230,177
Adjustment in respect of prior years	10,732	49,533
	<u>(254,396)</u>	<u>279,710</u>
Total deferred tax	<u>(254,396)</u>	<u>279,710</u>
Taxation on profit on ordinary activities	<u>65,789</u>	<u>632,466</u>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 -the same as) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	(1,025,914)	1,895,848
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	(194,924)	360,211
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	166,946	86,274
Capital allowances for year in excess of depreciation	52,092	24,798
Adjustments to tax charge in respect of prior periods	10,483	188,263
Changes in provisions leading to an increase (decrease) in the tax charge	31,192	(27,080)
Total tax charge for the year	65,789	632,466

Factors that may affect future tax charges

The Group and company have unrelieved tax losses of £10.9m (2018: £10.9m) carried forward and available for offset against future trading profits. These losses together with other timing differences have been recognised as a deferred tax asset as they are available to offset future taxable profits. Details of the deferred tax asset are set out above.

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

11. Intangible assets

Group and Company

	Computer software £
Cost	
At 1 April 2018	7,133,876
Additions	1,984,225
Disposals	(223,412)
	<hr/>
At 31 March 2019	8,894,689
	<hr/>
Amortisation	
At 1 April 2018	5,723,626
Charge for the year	1,605,960
On disposals	(221,898)
	<hr/>
At 31 March 2019	7,107,688
	<hr/>
Net book value	
At 31 March 2019	1,787,001
	<hr/>
At 31 March 2018	1,410,250
	<hr/>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

12. Tangible fixed assets

Group and Company

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2018	668,803	284,318	138,178	1,082,284	2,173,583
Additions	518,318	92,373	4,805	156,529	772,025
Disposals	(28,426)	(145,390)	(17,121)	(730,564)	(921,501)
Transfers between classes	-	-	(116,877)	2,499	(114,378)
At 31 March 2019	1,158,695	231,301	8,985	510,748	1,909,729
Depreciation					
At 1 April 2018	323,672	229,407	32,170	858,481	1,443,730
Charge for the year on owned assets	165,937	31,657	1,403	70,654	269,651
Disposals	(28,426)	(145,390)	(30,257)	(661,808)	(865,881)
Transfers between classes	-	-	177	1,196	1,373
At 31 March 2019	461,183	115,674	3,493	268,523	848,873
Net book value					
At 31 March 2019	697,512	115,627	5,492	242,225	1,060,856
At 31 March 2018	345,131	54,911	106,008	223,803	729,853

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
APS Financial Limited	Ordinary	100 %	Issue of e-money regulated payment card and funds
APS Bonds plc	Ordinary	100 %	Issuer of mini bond financial products

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

13. Fixed asset investments (continued)

The aggregate of the share capital and reserves as at 31 March 2019 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
APS Financial Limited	6,204,841	966,231
APS Bonds plc	46,194	(1,499)
	<u>6,251,035</u>	<u>964,732</u>

Company

	Investments in subsidiary companies £
At 1 April 2018	850,000
At 31 March 2019	<u>850,000</u>
At 31 March 2018	<u>850,000</u>

14. Stocks

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Card related consumables	204,482	156,358	204,482	156,358
	<u>204,482</u>	<u>156,358</u>	<u>204,482</u>	<u>156,358</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £363k (2018: £279k).

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

15. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Deferred tax asset	2,183,932	1,929,109	2,183,932	1,929,109
	<u>2,183,932</u>	<u>1,929,109</u>	<u>2,183,932</u>	<u>1,929,109</u>
Due within one year				
Trade debtors	2,425,230	173,461	83,602	48,846
Amounts owed by group undertakings	-	-	472,111	3,196,913
Other debtors	4,691,010	3,308,294	3,977,866	2,835,925
Prepayments and accrued income	3,093,635	1,909,286	2,949,006	1,909,286
Credit advances	31,855,156	27,971,375	31,855,156	27,933,970
	<u>42,065,031</u>	<u>33,362,416</u>	<u>39,337,741</u>	<u>35,924,940</u>

Credit advances

Reconciliation of movement in credit provision

	2019 £	2018 £
Opening Provision	(5,733,544)	(3,786,587)
Utilised in the period	5,625,534	3,552,508
Amount Charged	(7,460,692)	(5,499,465)
Credit Provision Balance	<u>(7,568,702)</u>	<u>(5,733,544)</u>

No other debtors have provisions for impairment and nil (2018: nil) are past due as at the balance sheet date

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

16. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank current accounts	6,364,304	6,717,896	3,098,303	2,841,151
Cash in hand balances	14,635	7,910	14,635	7,910
Held in trust for cardholders	315,008,774	244,663,120	-	1
	<u>321,387,713</u>	<u>251,388,926</u>	<u>3,112,938</u>	<u>2,849,062</u>

17. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Revolving Credit Facility	25,855,960	18,950,000	25,855,960	18,950,000
Customer liabilities for e-money outstanding	313,792,547	242,750,965	-	-
Trade creditors	2,056,706	1,779,382	1,279,489	1,228,754
Amounts owed to group undertakings	-	-	1,349,619	4,035,081
Corporation tax	116,725	228,794	-	(1,642)
Other taxation and social security	428,627	279,206	416,362	268,332
Other creditors	1,839,651	792,216	1,812,258	790,901
Accruals and deferred income	2,296,453	2,276,102	2,083,947	2,256,198
	<u>346,386,669</u>	<u>267,056,665</u>	<u>32,797,635</u>	<u>27,527,624</u>

18. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Loan stock and share capital treated as debt	-	-	1	-
Outstanding interest on loan stock and share capital treated as debt	26,583,441	25,291,700	26,583,441	25,291,699
Mini Bonds	1,162,000	1,162,000	-	-
Directors' loans	5,401,034	5,230,975	5,401,034	5,230,975
Share capital treated as debt	1,072	1,072	1,072	1,072
	<u>33,147,547</u>	<u>31,685,747</u>	<u>31,985,548</u>	<u>30,523,746</u>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Loans

Falling due within one year:

Revolving credit facility

In September 2018 the senior facility limit was increased by £5m to £22.5m and the mezzanine funding facility increased by £2m to £5m under the accordion arrangement of both bank facilities. Both have a termination date of 14 March 2020. During the year the company drew down an additional £6.9m in funding across both facilities to take the total drawn balance to £25.9m. The senior facility agreement includes a fixed charge over certain assets of the company.

Falling due after more than one year:

7% loan stock

This bears interest at 7% which is rolled up and total principal and interest payable on maturity. 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 Trident Capital, Inc.) and is unsecured.

Shares classed as debt

These include amounts due to the ultimate controlling related party, Trident Capital Fund VI LP, and other minority investors including management. These relate to Series C and Series D convertible preferred shares which have a premium payable on certain events. Detailed rights are set out in the Company's Articles of Association.

Other Loans

This is financing raised through mini bonds with interest at 7%, loan notes and warrants from directors and existing investors which bear interest at 14% and matures in March 2020.

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due within one year				
Revolving Credit Facility	25,855,960	18,950,000	25,855,960	18,950,000
	<u>25,855,960</u>	<u>18,950,000</u>	<u>25,855,960</u>	<u>18,950,000</u>
Amounts falling due 2-5 years				
Loan stock and share capital treated as debt	26,583,441	25,291,702	26,583,441	25,291,702
Directors' Loans	5,401,034	5,230,975	5,401,034	5,230,975
Mini Bonds	1,162,000	1,162,000	-	-
	<u>33,146,475</u>	<u>31,684,677</u>	<u>31,984,475</u>	<u>30,522,677</u>
	<u>59,002,435</u>	<u>50,634,677</u>	<u>57,840,435</u>	<u>49,472,677</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

19. Financial Risk Management

The group recognises its exposure to a number of different financial risks and as a result the directors have agreed formal policies for the review and management of these risks which are summarised as follows:

Liquidity risk

Liquidity risk is the potential for an occurrence of an inability to meet financial obligations as they become due. The group manages the risk through detailed cash flow analysis and forecasting to ensure sufficient liquidity is available to meet foreseeable needs.

The liabilities of the group include £313.8m (2018: £242.7m) of customer liabilities for outstanding e-money balances due on demand, a £25.9m (2018: £19.0m) revolving credit facility that is payable at the end of each credit cycle, £5.5m (2018: £5.2m) for interest bearing loans owed to directors and £26.6m (2018: £25.0m) of long term debt. The remaining balance comprises of working capital.

With regard to customer held funds, and as per regulation, the group holds cash in a safeguarded, segregated account equal to the liability of the customer account balances. The balances of both are reviewed and maintained on a daily basis.

Market risk

Market risk is the risk that changes in market conditions may adversely impact the value of assets or liabilities which may negatively impact the group's earnings. The group's primary risk is interest rate risk. As the group finances its activity through a mixture of borrowing, retained profits and equity the risk to the business comes from the risk associated with the interest rates on its borrowing facilities. Whilst this risk cannot be eliminated the group's exposure to interest rate fluctuation is managed through analysis of forward funding requirements and with reference to the predominantly variable nature of both the borrowing and lending in the business.

The group is not materially impacted by other market risks such as currency exchange.

Credit risk

Credit risk is the risk associated with losses arising from the inability or failure of a borrower to meet its contractual obligations.

The group is exposed to risks regarding cash balances due from retailers for customer funds loaded through third parties which is managed through monitoring systems in place for debtor management.

For the group's credit programme, the assessment of credit risk is managed through lending decisions that utilise developed underwriting standards in combination with credit bureau information. Subsequent to the initial decision risk is managed through review and monitoring of the portfolio via established governance and risk management committees.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

20. Capital Management

APS Financial Limited, a 100% wholly owned subsidiary of the group is regulated as an e-money institution by the FCA under the requirements of the Electronic Money Regulations 2011 and is required to hold adequate capital as prescribed by the FCA's Minimum Regulatory Capital ("MRC") requirement. In compliance with these regulations the directors regularly monitor capital levels within the required levels and therefore maintains capital accordingly.

As at 31 March 2019 the company confirms it holds sufficient capital to meet its regulatory requirements. The following table summarises the components of AFL's capital position at the same point:

	2019 £	2018 £
Share Capital	350,000	350,000
Capital Redemption Reserve	450,000	450,000
Reserves	5,413,044	4,438,610
	<u>6,213,044</u>	<u>5,238,610</u>

21. Financial Instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets that are measured at amortised cost	<u>361,746,894</u>	<u>283,380,674</u>	<u>40,744,832</u>	<u>37,403,330</u>
Financial liabilities				
Other financial liabilities measured at amortised cost	(313,792,548)	(242,750,965)	-	-
Financial liabilities that are debt assets measured at amortised cost	(62,898,791)	(53,206,273)	-	(55,231,465)
	<u>(376,691,339)</u>	<u>(295,957,238)</u>	<u>-</u>	<u>(55,231,465)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade and other debtors and credit advances.

Other financial liabilities measured at amortised cost comprise cardholder funds in transit and customer liabilities for e-money outstanding.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and deferred income, bank and other loans and share capital treated as debt.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

22. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	1,929,109	2,208,819
Charged to profit or loss	254,823	(279,710)
At end of year	<u>2,183,932</u>	<u>1,929,109</u>

The deferred tax asset is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	370,850	357,858
Short Term Timing Differences	562,074	244,834
Losses and other deductions	1,251,008	1,326,417
	<u>2,183,932</u>	<u>1,929,109</u>

23. Share capital

	2019 £	2018 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,029,447 (2018-1,029,447) Ordinary shares of £0.001 each shares of £0.001 each	1,029	1,029
2,097,034 (2018-2,097,034) Series A Convertible Preference shares of £0.001 each shares of £0.001 each	2,097	2,097
170,000 (2018-170,000) Series B Preference shares of £0.001 each shares of £0.001 each	170	170
	<u>3,296</u>	<u>3,296</u>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

23. Share capital (continued)

	2019 £	2018 £
Shares classified as debt		
Authorised, allotted, called up and fully paid		
407,996 (2018-407,996) Series C Convertible Preference shares of £0.001 each shares of £0.001 each	408	408
663,631 (2018-663,631) Series D Convertible Preference shares of £0.001 each shares of £0.001 each	664	664
	<u>1,072</u>	<u>1,072</u>

In accordance with FRS 102 Section 22, 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

Nil (2018: 11,300) options were exercised during the year. Details of share options are given in note 25.

Nil (2018: 194,650) warrants to loan stock holders were exercised during the year.

24. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

Represent the convertible element of the C and D preference shares

Profit and loss account

Includes all current and prior periods retained profits and losses.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

25. 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:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
	£	£	£	£
Outstanding at the beginning of the year	90	493,112	89	391,412
Granted during the year	95	42,900	95	113,000
Forfeited during the year	95	(6,250)	-	-
Exercised during the year	-	-	95	(11,300)
Outstanding at the end of the year	90	529,762	90	493,112

No (2018:11,300) options were exercised during the year ended 31 March 2018. The weighted average share price based on a valuation exercise undertaken during the year the options in March 2019 was £1.10 (2018: £1.77).

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 7%
- volatility estimated at 50%
- expected maturity of 4 years

The total charge for the year was £12,000 (2018: £12,002)

26. Contingent liabilities

The company co-ordinates the collection of debtor balances on behalf of APS Financial Limited. These are due from distributors for topping up customer accounts. In the event of default of payment by a distributor, the company would be liable to the customer for any unpaid amounts.

There were no other contingent liabilities at 31 March 2019 or 31 March 2018.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

27. Pension commitments

The pension scheme is administered through Aviva with APS contributions at the statutory minimum level.

The pension cost charge represents contributions payable by the Group to the fund and amounted to £123,995 (2018: £45,854). Contributions totalling £NIL (2018: £NIL) were payable to the fund at the reporting date

28. Commitments under operating leases

At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	1,161,988	468,434	1,161,988	468,434
Later than 1 year and not later than 5 years	5,133,714	-	5,133,714	-
	<u>6,295,702</u>	<u>468,434</u>	<u>6,295,702</u>	<u>468,434</u>

29. Related party transactions

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 8. Funding provided to the company in the form of Directors loans have been disclosed in the creditors note 19.

30. Controlling party

The ultimate controlling party is Trident Capital Fund VI LP, the fund which has a majority shareholding in Advanced Payment Solutions Limited. The fund is managed by Trident Capital Inc, a fund management company.

Both Trident Capital Inc and Trident Capital Fund VI LP are entities incorporated in the United States of America.