

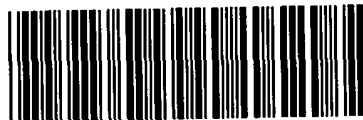
Prepaid Financial Services Limited

Registered number: 06337638

Annual report

For the financial year ended 30 June 2023

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Prepaid Financial Services Limited

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Prepaid Financial Services Limited

Corporate Information

Directors

Lorraine Buhagiar
Manoj Kheerbat (Chair) (appointed 2 June 2023)
Jennie Power (appointed 23 December 2022)
Andrew Betts (resigned 1 September 2022)
David Curneen (resigned 30 September 2022)

Company Secretary

Anushka Denning (appointed 31 October 2023)
Sonya Tissera-Isaacs (resigned 31 October 2023)

Registered office

4th Floor 35 Great St. Helen's
London England
EC3A 6AP

Independent Auditor

Deloitte LLP
Statutory Auditor
4 Brindleyplace
Birmingham
England
B1 2HZ

Bankers

Barclays
One Churchill Place
London
E14 5HP

ANZ Bank
23/100 Queen Street
Melbourne
VIC 3000

Solicitors

Eversheds Sutherland
1 Wood Street
London
EC2V7WS

Keystone Law
48 Chancery Lane
London
WC2A 1JF

Registered number

06337638

Prepaid Financial Services Limited

Strategic Report

This strategic report has been prepared by the Company and gives emphasis to those matters which are significant to Prepaid Financial Services Limited.

Principal activities

The Company is a provider of payment solutions in the United Kingdom (UK) and is a directly connected participant of the Faster Payments Scheme to offer real time payments. The Company is regulated and authorised by the Financial Conduct Authority (FCA) as an Electronic Money Institution (EMI) and continues to primarily operate as a prepaid payment service provider throughout the UK. Key clients include non-financial corporates, SME's FinTech companies, public sector and non-governmental organisation (NGO) bodies.

Review of the business

For the year ended 30 June 2023, the Company generated a profit after tax of £1,550,000 (2022: £6,618,000) as detailed in the Statement of Profit or Loss and Other Comprehensive Income. The key drivers for this year's business performance are:

- Revenue for the financial year was £21,462,000 (2022: £26,986,000) representing a significant reduction primarily as a result of the reduction of Account Management Fee one-off recognition and breakage revenue in the prior year which will not recur.
- Employee entitlement expenses increased to £5,246,000 (2022: £4,187,000) relating to the increase in employee numbers in 2023 as part of the transition to a more stand-alone model.
- Professional fees expense decreased to £551,000 (2022: £3,440,000) with the prior year reflecting the consulting resources required for the prior year remediation activities of the business.
- An impairment loss after tax of £743,000 (2022: £nil) arising in relation to the software intangible assets held by the Company reflecting the impairment assessment of the business for the year.

Net assets as at 30 June 2023 were £19,007,000 (2022: £27,888,000) and included a cash balance of £7,891,000 (2022: £4,985,000).

Going concern

During the year ended 30 June 2023, the Company recognised a profit after tax of £1,550,000 (2022: £6,618,000) reflecting the decline in revenue from one-off events in the prior period and an impairment loss on intangibles in the current period. The Company recognised an operating cash inflow of £5,661,000 (2022: £18,134,000). As at 30 June 2023, the Company had net current liabilities of £153,369,000 (2022: £148,994,000). The Directors note that the net current asset deficiency results solely from:

- The classification of Liabilities to stored value accounts holders as current liabilities on the basis these are on-demand cardholder liabilities; and
- A portion of the surplus segregated funds being classified as non-current assets due to investment of these funds into secure, liquid and low credit risk bonds with maturities greater than 12 months. Please refer to further details of the Segregated funds and bond assets and Liabilities to stored value account holders in Notes 12, 18 and 20 including further details on the financial risk management considerations for the Company.

Prepaid Financial Services Limited

Strategic Report (continued)

Going concern (continued)

On an annual basis, the Directors review the appropriateness of preparing the financial statements under the going concern principle for a period of at least 12 months from the date of approval of the financial statements. The Directors consider the following to ensure that the Company has adequate working capital to continue in operational existence for the foreseeable future:

- Cash requirements in the short-term and long-term;
- Short-term and long-term profit and loss forecasts;
- Current and forecast regulatory capital position;
- The Company's liquidity by assessing the net current asset and net asset position both at 30 June 2023 and subsequently; and
- Letter of support provided by EML Payments Limited to ensure the Company can continue to meet its obligations for at least the next 12 months.

The Directors have considered among other things, principal risks and uncertainties facing the business (as outlined in the principal risks and uncertainties section) and the Company's capital levels against the minimum requirements set out in the regulations, and monitors them regularly.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Directors have considered the principal risks and uncertainties that could impact its business model including the potential impact of the regulatory concerns raised by the FCA.

Having taken into consideration the above matters, the Directors believe it appropriate to prepare the financial statements using the going concern principle.

Section 172 Statement

The following disclosure provides an overview to how the Board discharges its duties under Section 172 of the *Companies Act 2006* to promote the success of the Company. The Board discharges this duty through its decision making at meetings, delegation of day-to-day decision making to employees and by other means.

Shareholders

The Company is a wholly owned subsidiary of EML Payments Limited (ASX:EML). EML Payments Limited publishes an annual report which covers the financial performance and strategy of the Group. As a subsidiary of an Australian listed entity, the Company is committed to shareholder return by building a long-term, beneficial impact.

Business relationships

The success of our business depends on building strong relationships with our customers, regulators and suppliers. The leadership team makes decisions with a long-term view and with the highest standards of conduct. The Directors take into account the impact of decisions on all stakeholders. Reports are regularly made to management by the business, about the performance and key decisions which provides assurance that proper consideration has been given to stakeholder interests in decision-making.

Prepaid Financial Services Limited

Strategic Report (continued)

Section 172 Statement (continued)

People, community and environment

Our people and the community in which we operate are key to our success. We engage with our employees through employment surveys and regular communications.

We have begun to focus on being able to make an even bigger contribution and difference to the lives of others through our team. Being socially responsible is fundamental to our operating purpose and a key foundation of our business strategy.

During the year ended 30 June 2023, an employment survey was completed with 79% of the workforce participating and an engagement score of 46% achieved. Results were communicated to the business and the Management team will establish working groups to develop a detailed implementation plan to focus on further enhancement of strength areas as well as addressing the areas identified for improvement.

Principal risks and uncertainties

The Company is exposed to a number of risks including operational, financial, regulatory, technological, market and broader economic factors. The Company seeks to manage these risks through its risk management framework of policies, procedures and internal controls. All policies are subject to the Board approval and are implemented by Management. The Company also has a sub-committee of the board, the Board Audit and Risk Committee. The Company recognise and manage a variety of business risks that could affect the operations and financial results.

Macro-economic conditions

The future business operations of the Company may be impacted by several macro-economic factors including:

- High inflation and interest rates;
- Deteriorating economic performance including potential recession; and
- Other economic impacts.

The Company seeks to mitigate this risk through having diverse sources of revenue including the introduction of an account management fee during the prior reporting period. The Board is mindful that macroeconomic effects can also provide the Company with opportunities, including opportunities presented by changes in markets, consumer behaviour and technological innovation. The Board seeks to ensure that it and management keep abreast of such developments for the benefit of the Company.

There are not currently specifically identified impacts on the short term of the business however the business will continue to monitor and assess any potential medium and long-term implications for the Company.

Prepaid Financial Services Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

(i) Operational risks

The Company is subject to the risk of impacts to operational performance which may give rise to a deterioration in business value. Impacts to operational performance may include a loss of key talent, changing customer requirements, increased competition, changes to regulations and other stakeholder driven effects. The Company recognises this risk and is focused on implementing policies and procedures that identify and respond to the impacts of operational disruption. This includes active Board and management co-ordination and oversight, talent, stakeholder and customer value and risk management, regulatory and compliance oversight, training and awareness.

Continued innovation in the way the Company undertakes its business and the ever-evolving demands from customers, regulators and other stakeholders increases interdependence across the business functions and may threaten the stability of the business operations. The Company recognises this risk and is focused on investing in simplifying business operations to reduce complexity as well as implementing policies and procedures that ensure appropriate action can be taken to minimise the impact of any issues on the Company's stakeholders.

Markets and competition

The Company is subject to the risk of deteriorating market conditions impacting on the Company's financial performance and business value. The Company operates in a competitive market with strong competition for the services it offers. One way the Company seeks to manage this risk is by entering into long-term contracts and seeking to differentiate its products and product feature offering. In addition, the Directors believe the knowledge, and expertise of core markets is a competitive advantage coupled with the continued evolution of products and services that it offers.

(ii) Regulatory risks

Regulatory risk may impact on operational performance, financial performance, reputation and business value. The Company is subject to the oversight of the Financial Conduct Authority (FCA) in relation to financial product regulation, payment system regulation, Anti-Money Laundering and Counter-Terrorism Financing laws as well as privacy laws.

The Company is subject to the risk of regulatory change, ongoing and increased costs associated with regulatory compliance. The Company works closely with regulators, the schemes and local law firms to ensure it understands its regulatory requirements and is committed to maintaining and protecting our reputation and operating ethically. Through a combination of risk management procedures and horizon scanning, the Company will identify and implement any changes to laws and regulations in a timely manner, reducing the impact of this risk to an acceptable level.

Refer to Note 17 for additional details.

Compliance risk

Failure to comply with Electronic Money Regulations ("EMRs"), regulations set by the Payments Services Regulator ("PSR"), scheme requirements (including Mastercard and Faster payments, and local laws within the jurisdictions it operates in could result in sanctions or an adverse impact on customers). The Company works closely with regulators, the schemes and local law firms to ensure it understands requirements. The Company has implemented a robust framework that identifies, manages and mitigates compliance risks, which is overseen by the Board of Directors.

Prepaid Financial Services Limited

Strategic Report (continued)

Principal risks and uncertainties (continued)

Capital Adequacy risk

The risk that the Company does not maintain sufficient capital to achieve its business strategy, to support working capital requirements as well as meeting regulatory capital requirements. To mitigate the risk, management regularly carries out a forward-looking assessment of capital adequacy, reports capital adequacy position to the Board of the Company regularly as well as continuous monitoring of risk metrics reported to the Business Risk and Compliance Committee, monthly Asset-Liability Committee and quarterly Board Audit and Risk Committee (see note 20 for further information on capital management).

(iii) Technological risks

The Company is subject to technology related risks which may impact on operational performance, financial performance, reputation and business value. This may include performance, reliability and availability of our technology platform, payment processors, technology obsolescence and availability of communication systems (including servers and internet hosting services), service outages, data corruption or unavailability, cyberattacks, hardware and software failure and disruption from new technology.

Cyber-attacks / Information security

Cyber-attacks have increased across the globe each year, potentially impacting our customers through fraud or access to customer data. We continue to invest in our IT systems, and our employee training including carrying out regular phishing tests. We work closely with our partners to ensure that they have the latest and most up to date security regimes to provide the best possible protection against potential breaches. Despite the Company's risk management, not all attacks are directed to the Company itself, attacks on our partners may have an indirect impact on the Company.

(iv) Financial risks

The Company is subject to financial risks which may give rise to a deterioration in business value. Financial risks include increased operational costs, deteriorating customer pricing, credit, fraud and other related risks and costs of regulatory compliance, regulatory penalties and fines, reductions in interest income, increased costs of funding and an inability to raise funding. Financial risks may also include the risks associated with access to funding sources and risks associated with financial instruments entered into by the Company as in Note 20(ii). The key financial risk management policies and objectives are detailed within Note 20(ii).

Prepaid Financial Services Limited

Strategic Report (continued)

Future developments

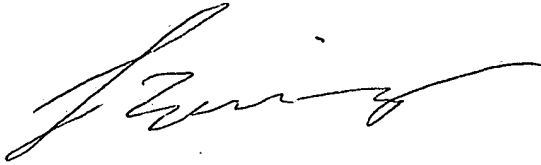
The Directors are satisfied with the Company's financial performance and financial position. They expect the Company to make profits for the foreseeable future.

On 24 February 2023, the EML Payments Limited's Board commenced a strategic review of EML Group's business. On 17 April 2023, that Board announced the appointment of Barrenjoey, the strategic partner of Barclays in Australia, to undertake the previously announced strategic review of the EML Group's business. The strategic review was identified to consider all options available to the Board including a potential sale of all or parts of the business in order to maximise shareholder value. Whilst the Company remains part of the EML Group, given the strategic review activities of the ultimate parent of the Company it is possible that there may be changes to the ownership of and activities carried on by the Company during the next 12 months.

Except as noted above, there are no significant future developments expected to impact the operations of this business.

We will continue to monitor developments and respond as appropriate.

On behalf of the Board



Lorraine Buhagiar

Director

Date: 20 February 2024

Prepaid Financial Services Limited

Directors' Report

The Directors present this Directors' Report and the audited financial statements for the financial year from 1 July 2022 to 30 June 2023.

Prepaid Financial Services Limited is a Company limited by shares and incorporated and domiciled in England. The registered address of the Company is 4th Floor 35 Great St. Helen's London England EC3A 6AP. The registered number is 06337638.

Future developments

Details of future developments can be found in the Strategic Report on page 9.

Significant events after balance sheet date

No significant transaction or event of a material and unusual nature after the balance sheet date has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial periods.

Research and development

The Company did not incur any research and development costs in the financial year ended 30 June 2023 (2022: €nil).

Results for the year

The Directors are satisfied with the performance of the Company during the financial year. The Statement of Profit or Loss and Other Comprehensive Income is set out on page 16 and the key performance indicators were outlined in the Strategic Report above.

No dividends were paid during the year and the Directors do not propose one for the year (2022: £Nil).

Financial risk management objectives and policies

Details of the Company's financial risk management objectives and policies can be found in the Strategic Report above and within Note 20(ii) of the financial statements.

Directors and their interests

The Directors who served during the year and up to the date of signing these financial statements were (except as otherwise stated):

- Lorraine Buhagiar
- Manoj Kheerbat (appointed 2 June 2023)
- Jennie Power (appointed 23 December 2022)
- Andrew Betts (resigned 1 September 2022)
- David Curneen (resigned 30 September 2022)

As at 30 June 2023, there were no Directors or Secretaries who held no more than 1% of the shares in issue in EML Payments Limited.

Prepaid Financial Services Limited

Directors' Report (continued)

Qualifying third party indemnity provisions

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the *Companies Act 2006* and which were in force throughout the year and remain in force as of the date of this report.

Disclosure of information to auditors

Each of the persons who is a Director 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's auditor is unaware,
- 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's auditor is aware of that information, and
- This information is given and should be interpreted in accordance with s.418 of the *Companies Act 2006*.

Auditor

Deloitte LLP have indicated they will resign as auditors following the completion of the audit for the financial year ended 30 June 2023. KPMG have indicated their willingness to be appointed as auditor and appointment will be undertaken following the completion of these financial statements.

On behalf of the Board



Lorraine Buhagiar

Director

Date: 20 February 2024

Prepaid Financial Services Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

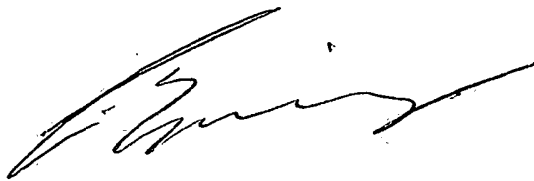
Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted International Accounting Standards. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standards requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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 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.

On behalf of the Board



Lorraine Buhagiar

Director

Date: 20 February 2024

Prepaid Financial Services Limited

Independent Auditor's Report to the members of Prepaid Financial Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Prepaid Financial Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Prepaid Financial Services Limited

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Prepaid Financial Services Limited

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This includes regulations applicable to the firm in relation to being an authorised electronic money issuer.

We discussed among the audit engagement team including relevant internal fraud specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- the risk of inappropriate revenue amounts being recognised in relation to Account Management Fees (AMF) levied on cardholder accounts; in response to this risk we performed a recalculation of the closing accrued revenue balance and evaluated the key judgements and estimates relating to this balance.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 strategic and the directors' report has been prepared in accordance with applicable legal requirements.

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

Prepaid Financial Services Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

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.

S. Cumberbatch

Stewart Cumberbatch (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

22 February 2024

Prepaid Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2023

		30 June 2023 £'000	30 June 2022 £'000
	Note		
Revenue from contracts with customers	2	13,046	24,740
Interest income	3	8,416	2,246
Total revenue		21,462	26,986
Cost of sales	4	(6,484)	(8,457)
Gross profit		14,978	18,529
Other income	5	3,328	4,171
Expenses			
Employee benefits expense	6	(5,246)	(4,187)
Share Based payments		(131)	-
Professional fees		(551)	(3,440)
Information technology expense		(4,900)	(3,551)
Depreciation and amortisation expense		(2,236)	(1,892)
Other expenses	7	(1,855)	(1,935)
Impairment loss - intangibles	14	(991)	-
Total expenses		(15,910)	(15,005)
Profit before taxation		2,396	7,695
Income tax expense	8	(846)	(1,077)
Net profit for the year		1,550	6,618
Other comprehensive income for the year, net of income- tax		-	-
Total comprehensive income for the year		1,550	6,618

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Financial Position

As at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Current assets			
Cash and cash equivalents	9	7,891	4,985
Contract assets	10	811	1,320
Trade and other receivables	11	2,392	5,839
Segregated funds and bond investments	12	314,769	272,273
Intercompany loan receivable	13(f)	1,646	9,512
Current tax receivable		157	3,151
Other current assets		1,485	837
Total current assets		329,151	297,917
Non-current assets			
Contract assets	10	4,413	5,929
Segregated funds and bond investments	12	165,938	167,742
Plant and equipment and right-of-use asset		968	884
Intangible assets	14	1,240	3,112
Equity investments	15	803	341
Total non-current assets		173,362	178,008
Total assets		502,513	475,925
Current liabilities			
Trade and other payables	16	3,484	6,019
Intercompany loan payable	13(f)	1,503	88
Provisions	17	1,578	2,951
Liabilities to stored value account holders	18	475,687	437,499
Lease liability		148	148
Other liabilities		120	206
Total current liabilities		482,520	446,911
Non-current liabilities			
Lease liability		410	569
Other liabilities		401	169
Deferred tax liabilities	8	175	388
Total non-current liabilities		986	1,126
Total liabilities		483,506	448,037
Net assets		19,007	27,888

Prepaid Financial Services Limited

Statement of Financial Position (continued)

As at 30 June 2023

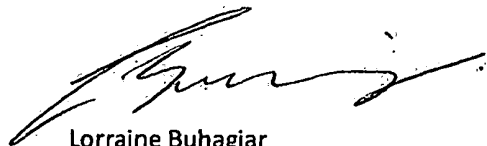
Registered number: 06337638

	Note	30 June 2023 £'000	30 June 2022 £'000
Equity			
Issued capital	19	9,736	20,167
Retained earnings		9,271	7,721
Total equity		19,007	27,888

The accompanying notes form part of these financial statements.

The financial statements of Prepaid Financial Services Limited (registered number: 06337638) were approved by the Board of Directors and authorised for issue on 20 February 2024.

On behalf of the Board



Lorraine Buhagiar

Director

20 February 2024

Prepaid Financial Services Limited

Statement of Changes in Equity

For the year ended 30 June 2023

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance at 1 July 2021	6,040	1,103	7,143
Total comprehensive income			
Profit for the period	-	6,618	6,618
Transactions recorded directly in equity			
Issue of share capital	14,127	-	14,127
Balance at 30 June 2022	20,167	7,721	27,888
Total comprehensive income			
Profit for the year	-	1,550	1,550
Transactions recorded directly in equity			
Reduction of share capital (refer Note 19)	(10,431)	-	(10,431)
Balance at 30 June 2023	9,736	9,271	19,007

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Cash flows

For the year ended 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Cash flows from operating activities			
Receipts from customers		21,870	15,324
Payment to suppliers and employees		(23,875)	(19,705)
Payment to segregated funds and bond investment		-	(14,763)
Interest received		5,742	2,794
Tax received/(paid)		1,938	(1,702)
Interest paid		(14)	(82)
Net cash generated by/(used in) operating activities	21	5,661	(18,134)
Cash flows from investing activities			
Payments for plant and equipment		(299)	(105)
Payments for intangibles		(1,138)	(519)
Net cash used in investing activities		(1,437)	(624)
Cash flows from financing activities			
Proceeds from issue of shares		-	14,127
Payments for capital reduction		(10,431)	-
Payments for principal relating to lease liability		(161)	(107)
Proceeds of loan from related party, net		9,237	1,772
Net cash (used in)/generated by financing activities		(1,355)	15,792
 Net increase/(decrease) in cash held		 2,869	 (2,966)
Cash at beginning of financial year		4,985	8,060
Foreign exchange gain/(loss)		37	(109)
Cash at end of financial year	9	7,891	4,985

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 1: Corporate information

Prepaid Financial Services Limited (the Company) is a company limited by shares incorporated in the United Kingdom. The registered address of the Company is 4th floor 35 Great St Helen's London England, EC3A 6AP and the registered number is 06337638.

The parent entity is Prepaid Financial Services (Ireland) Limited, a company limited by shares incorporated in the Republic of Ireland. The ultimate parent is EML Payments Limited, an entity listed on the Australian Stock Exchange (ASX: EML).

Note 2: Revenue from contracts with customers	30 June 2023	30 June 2022
	£'000	£'000
Recurring revenue – Transaction-based revenue	10,789	10,329
Recurring revenue – Service-based revenue		
Account management fees ¹	(892)	7,299
Dormant state accounts revenue	2,234	1,657
Breakage revenue	-	2,048
Non-recurring revenue – Establishment revenue	915	3,407
	13,046	24,740

¹For the financial year ended 30 June 2022, the Company revised existing terms and conditions for the general purpose reloadable (GPR) accounts. This allowed the Company to recognise Account Management Fees (AMF) and Breakage revenue on existing accounts where the Company has previously provided settlement services. The Company recognised a £7,328,089 AMF and Breakage revenue benefit relating to the existing accounts with a corresponding increase to contract assets (refer to note 10).

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 2: Revenue from contracts with customers (continued)

Revenue is recognised when performance obligations are satisfied with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is categorised in relation to the nature of the occurrence.

(i) Recurring revenue

Transaction-based revenue (fixed consideration)

The Company generates fixed consideration from cardholder transactions. This revenue includes transaction fees on load, spend, monthly card and other cardholder activities as well as fees generated from interchange. Consideration for transaction-based revenue is drawn from the cardholders prepaid, unexercised rights.

Spend fees

Transaction fees and fees generated from interchange are recognised at the time the cardholder uses their card. A card transaction occurs each time the card is used either online, or at a physical location where the card is presented. The performance obligation for the Company relates to providing the cardholder access to funds to the value of their prepaid account (i.e. a distinct service each time the card is used). Revenue is recognised at the point in time the service has been provided to the cardholder. The transaction price is fixed and determined with reference to the contracted terms.

(ii) Service-based revenue (variable consideration)

The Company generates variable consideration from providing services to the cardholder.

Account Management Fees (AMF)

AMF is an amount which is generated from monthly charges on cardholder accounts. The Company's performance obligation with the cardholder relates to the provision of settlement services for redemption of value through goods and services, up to the card balance.

AMF is variable consideration, dependant on future cardholder behaviour. The Company estimates future cardholder behaviour to determine expected AMF.

Where the Company expects to be entitled to an AMF amount and can demonstrate the ability to reliably measure the value, revenue is recognised at the point in time when the settlement services are provided. The Company utilises cardholder behaviour to estimate performance obligation completion.

Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. Significant accounting judgements and estimates relating to AMF revenue are described further below.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 2: Revenue from contracts with customers (continued)

KEY JUDGEMENTS AND ESTIMATIONS - AMF REVENUE

Estimating variable consideration

The Company estimates future cardholder behaviour to determine expected AMF revenue. These estimations utilise and analyse historical data, market-specific trends, and existing economic conditions for each program. The calculated AMF revenue rates are reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Estimating when a highly probable reversal will not occur

AMF revenue is estimated and recognition commences from account inactivity (being 12 months from the date of last transaction) for products. It is at this point the Company has estimated that it is highly probable that a significant reversal will not occur. This point has been identified as a GPR product may have multiple load and spend events. The estimated AMF revenue relating to past services is then recognised.

Breakage revenue

The Company generates revenue from prepaid products on unused amounts (i.e. the residual non-refundable, unredeemed or unspent funds). This is primarily generated through:

- Expiry - Revenue recognised according to the expected residual balance at expiry; and
- Derecognition - Where cards due to contractual agreements, do not have an expiry date, external expert advisors are used to estimate residual value.

Dormant state accounts revenue

The Company expects to generate revenue from GPR products where a balance expires unused. In accordance with the relevant Electronic Money Regulations (EMRs), accounts become dormant following expiry of the product and termination of the agreement with the end user. Subject to redemption fees or dormancy fees as outlined in the applicable terms and conditions, balances may convert to revenue at the point the liability to the customer is no longer required to be retained by the Company under relevant EMRs. Once calculated, the amount of liability to be extinguished will be approved by the Business Risk and Compliance Management Committee. This revenue will only be recognised once the liability is extinguished and revenue will be recognised net of commission to our partners.

The Company's performance obligation is with the cardholder and either relates to redemption of value through goods and services, not cash, or providing the infrastructure to settle in goods and services, up to the card balance. Where the Company expects to be entitled to a breakage amount and can demonstrate the ability to reliably measure the value, revenue is recognised over time in proportion to the pattern of rights exercised by the cardholder. The transaction price is variable and therefore estimated using historical data, market-specific trends, and existing economic conditions for each program.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 2: Revenue from contracts with customers (continued)

The estimated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour. The Company will not recognise any estimated breakage amounts until it is highly probable that a significant revenue reversal will not occur. The highly probable threshold is based on historical analysis and future estimation of the ongoing cardholder behaviour. If the Company cannot determine whether breakage will occur, it will not recognise any amounts as breakage until the likelihood of the customer exercising its rights becomes remote.

(ii) Non-recurring revenue

Establishment revenue

The Company's establishment revenue, set up and card sales, is recognised at the point in time the service has been provided. Where the Company has not yet satisfied performance obligations, any consideration received has been recognised as deferred income in Other liabilities. The transaction price is fixed and determined with reference to the contracted terms. Refer to note 18.

Card sales revenue is recognised when the order is confirmed by the client as this represents the point in time at which the Company has satisfied its performance obligation and the Company has the right to consideration. Card orders may be highly branded to the client's specific requirements and are unable to be repurposed.

Note 3: Interest income	30 June 2023	30 June 2022
	£'000	£'000
Interest income – Stored value	2,529	-
Interest income - Bond investments	5,887	2,246
	8,416	2,246

Note 4: Cost of sales (COS)	30 June 2023	30 June 2022
	£'000	£'000
Transaction costs	5,255	4,965
Establishment COS	832	2,752
Other	397	740
	6,484	8,457

The Company's cost of sales also includes £24,000 of interest expense from a negative cash rate on the stored value assets (2022: £76,000).

Prepaid Financial Services Limited

Notes to the Financial Statements

	30 June 2023	30 June 2022
Note 5: Other income	£'000	£'000
Intercompany transfer pricing charge	2,831	4,015
Other	497	156
	3,328	4,171

The Intercompany transfer pricing charge relates to intra-group services being management and general services between the Company and PFS Card Services Ireland Limited, a related party.

Note 6: Employee benefits expense

The average monthly number of employees (including the Directors) during the financial year was 60 (2022: 50).

Average number of employees	30 June 2023	30 June 2022
Directors	1	2
Customer	15	15
Finance	13	9
Human Resources	4	1
Operations	13	12
Product	2	2
Technology	9	8
Compliance	3	1
	60	50

The costs associated with these employees were:

	30 June 2023	30 June 2022
	£'000	£'000
Wages and salaries	4,434	3,675
Pension costs	120	123
Social security costs	491	286
Other costs	201	103
	5,246	4,187

Refer to Note 13 for details of Directors remuneration paid throughout the year.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 7: Other expenses	30 June 2023	30 June 2022
	£'000	£'000
Impairment of trade receivables	297	-
Foreign exchange loss	45	24
Office management	385	492
Marketing costs	100	218
Other	1,028	1,201
	1,855	1,935

Note 8: Corporation tax expense	30 June 2023	30 June 2022
	£'000	£'000
(a) Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Current corporation tax expense	(707)	(1,471)
Deferred tax benefit/(expense) relating to the origination and reversal of temporary differences	213	(74)
(Under)/over provision of corporation tax in prior year	(352)	468
Corporation tax expense	(846)	(1,077)

(b) Reconciliation between tax expense and Profit before income tax

Profit on the domestic activities before tax	2,396	7,695
Expected tax using corporation tax rate of 20.5% (2022: 19%)	(491)	(1,462)
Effects of:		
Expenses not deductible for tax purposes	(24)	-
(Over)/under provision	(373)	237
Effect of changes in tax rates	42	34
Non-taxable income	-	35
Other	-	79
Tax expense on profit on ordinary activities	(846)	(1,077)

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 8: Corporation tax expense (continued)

(c) Deferred tax asset/(liability)

	30 June 2023 £'000	30 June 2022 £'000
Deferred tax asset		
Other	66	17
	66	17
Deferred tax liability		
Intangibles	(40)	(405)
Equity investments	(201)	-
	(241)	(405)
Net deferred tax liability	(175)	(388)

Movement in deferred tax balances during the financial year:

	Deferred tax asset		Deferred tax liability	
	30 June 2023 £'000	30 June 2022 £'000	30 June 2023 £'000	30 June 2022 £'000
Balance at the beginning of the financial year	17	-	(405)	(314)
Movement recognised in profit or loss	49	17	164	(91)
Balance at the end of the financial year	66	17	(241)	(405)

Factors that may affect future tax charges

The Company is subject to UK corporation tax. Therefore, the tax rate used for current tax on profit for the current year was 20.5% (2022: 19%) due to the change in tax rate to 25% from 1 April 2023. Deferred tax has been derived using the 25% rate.

Note 9: Cash and cash equivalents	30 June 2023 £'000	30 June 2022 £'000
Cash at bank	7,891	4,985

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 10: Contract assets	30 June 2023	30 June 2022
	£'000	£'000
Current		
Contract assets	810	1,320
Non-current		
Contract assets	4,413	5,929

Contract assets are rights to consideration in exchange for services provided to the cardholder. Where the Company performs services before the cardholder pays consideration, a contract asset is recognised for the earned consideration that is conditional until payment is received.

Where the Company expects to be entitled to variable consideration and can demonstrate the ability to reliably measure cardholder redemption patterns, the Company will recognise a contract asset in proportion to the pattern of rights exercised by the cardholder.

Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. The Company will only recognise an asset when it expects to be entitled to the revenue and can demonstrate the ability to reliably measure cardholder redemption patterns. The value recognised is in proportion to the pattern of rights exercised by the cardholder.

Contract assets are generated from the revenue categories of Account management fees, Breakage revenue and dormant state revenue.

The Company directly holds the cardholder assets and can directly withdraw the consideration when eligible. The credit risk associated with these balances is contained to the associated financial institution which holds the funds on deposit. Therefore, due to the nature of this balance no expected credit losses (ECLs) has been recognised.

The Company has considered whether our non-current contract assets includes a significant financing component. When applying the financing component, consideration has been given to the effects of the following key factors;

- Stored value is pre-paid by the customer on their desired timing of receiving the services and held within segregated bank accounts which are not used for funding the trading operations of the Company;
- There is an immaterial difference between the estimated amount of promised consideration and the cash consideration received; and
- The Company is pre-funded and uses proprietary software to track cardholder data and control the flow of funds out of the segregated bank accounts.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 10: Contract assets (continued)

For certain contract assets that have a multi-year cash conversion period, revenue consideration and the associated contract assets have been reduced by an implied financing component.

	30 June 2023 £'000	30 June 2022 £'000
Opening balance – 1 July	7,249	-
Revenue recognised	1,089	11,011
Cash receipts	(3,114)	(3,762)
Closing balance – 30 June	5,224	7,249

Note 11: Trade and other receivables	30 June 2023 £'000	30 June 2022 £'000
Trade receivables	2,532	5,291
Provision for expected credit losses	(525)	(274)
Intercompany trade receivables	69	822
Other receivables	316	-
	2,392	5,839

The Company has £214,000 (2022: £824,000) of trade receivables that are overdue and not impaired.

Expected credit losses

For trade receivables, the Company applies the simplified approach in calculating expected credit losses (ECLs) for all trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company considers historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment when applying the ECL criteria.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 12: Segregated funds and bond investments	30 June 2023	30 June 2022
	£'000	£'000
Current		
Cash held with financial institutions	153,059	156,767
Bond investments	161,710	115,506
	314,769	272,273
Non- current		
Bond investments	165,938	167,742
Total bond investments	327,648	283,248
Total segregated funds and bond investments	480,707	440,015

Segregated funds and bond investments are amounts held in respect of stored value issued by the Company, funded by external account holders. The liability to the external account holders is disclosed in Note 18.

Cash received from stored value account holders is placed in facilities according to assessed short-term treasury and liquidity needs. The financial risk and return of the Segregated funds and bond investments is attributable to the Company. Refer to Note 21 for information regarding credit risk.

The Company generate interest income on Segregated funds and bond investments. Income generated from Segregated funds held with financial institutions is impacted by movements in central bank cash rates. Income generated from Bond investments is determined based on the effective interest rate at purchase date.

Bond investments

Bond investments are held at amortised cost. The portion of the asset funded by stored value represents the par value of the bond. The portion relating to the assets of Prepaid Financial Services Limited refers to the amortised cost portion. The amortised cost will be unwound over the life of the bond portfolio comprising cash interest income and non-cash interest charge.

The fair value of the portfolio as at 30 June 2023 was £319,465,000 (2022: £281,179,000). The below table indicates the balance ownership for the bond investments:

	30 June 2023	30 June 2022
	£'000	£'000
Assets of stored value from account holders	322,628	280,732
Assets of Prepaid Financial Services Limited	5,020	2,516
	327,648	283,248

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 13: Related party disclosures

a) Parent entity

The parent entity of Prepaid Financial Services Limited is Prepaid Financial Services (Ireland) Limited.

b) Ultimate controlling party

The ultimate controlling party and parent company is EML Payments Limited, a company registered in Australia. The results of the Company are consolidated into the financial statements of EML Payments Limited which are available at <https://www.emlpayments.com/> or at its registered address – Level 12/333 Ann Street, Brisbane, QLD 4000, Australia.

The financial statements of EML Payments Limited are the smallest and largest group accounts into which the Company is consolidated.

c) Transactions with key management personnel (KMP)

In this report, KMP are those individuals sharing the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. KMP are comprised of the Board of Directors who have the authority and responsibility for planning, directing and controlling the activities of the Company. KMP services provided by some Directors are provided and paid through PFS Card Services Ireland Limited, a related party. They have been excluded from the disclosure below.

Compensation of KMP of the Company:

	30 June 2023	30 June 2022
	£'000	£'000
Short-term employee benefits	134	199
Post-employment benefits	6	8
Share-based payments	17	-
	157	207

d) Transactions with KMP

There were no transactions with key management personnel during the 2023 financial period (2022: nil).

The highest paid director for the year ended 30 June 2023 is outlined in the table below:

Salary	Pension	Share-based payments	Total
£'000	£'000	£'000	£'000
134	6	17	157

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 13: Related party disclosures (continued)

e) Transactions with related parties

During the year, the following transactions occurred with related parties:

	30 June 2023 £'000	30 June 2022 £'000
Revenue from related party management fees, refer to Note 5	2,831	4,015
Intercompany management fee	(1,748)	(2,211)
Intercompany fee revenue	278	-
Costs of sales – Other	13	20
Employee entitlements expense – Parent	717	30
Employee entitlements expense – Other	181	(339)
Information technology related costs - Other	(135)	33
Other expenses – Other	312	118
Share based payments – Parent	(131)	-
Transfer of intangible assets	(997)	-

f) Loans receivable from/ (payable to) to related parties

	30 June 2023 £'000	30 June 2022 £'000
Intercompany loan receivable		
Prepaid Financial Services (Ireland) Limited	-	9,102
Other related parties	1,646	410
	1,646	9,512
Intercompany loan payable		
Prepaid Financial Services (Ireland) Limited	(185)	-
Other related parties	(1,318)	(88)
	(1,503)	(88)

There were intercompany transactions between the Company and other entities in relation to general operational trading where expenses incurred were recharged to the Company. During the financial year, transactions occurred between the Company and its parent and with other subsidiaries within the EML Group and these have been identified as Other in the above while all other transactions are with EML as the parent entity. In general, the nature of these transactions was intercompany recharge of expenses incurred by other entities within the EML Group.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 13: Related party disclosures (continued)

f) Loans receivable from/ (payable to) to related parties (continued)

Further, during the financial year a capital reduction occurred between the company and Prepaid Financial Services (Ireland) Limited of £10,430,938 as outlined in note 19 (2022: capital injection £14,126,588).

g) Trade receivable from/ (payable to) to related parties

	30 June 2023 £'000	30 June 2022 £'000
Intercompany trade receivable		
Prepaid Financial Services (Ireland) Limited	69	822
Intercompany trade payable		
Prepaid Financial Services (Ireland) Limited	-	2,502

Loans receivable from/ (payable to) related parties are between 100% owned subsidiaries within the EML Payments Limited Group. Loans are non-interest bearing, unsecured, repayable on demand with no guarantees provided or received. No expected credit loss has been recognised on these balances and intercompany receivables are considered low credit risk, refer to Note 20.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 14: Intangible assets	Software	Customer Contracts	Total
	£'000	£'000	£'000
Useful life (in years)	5	5	
Year ended 30 June 2023			
At 1 July 2022, net of accumulated amortisation	2,652	460	3,112
Additions	1,139	-	1,139
Impairment loss	(991)	-	(991)
Amortisation charge for the year	(1,729)	(291)	(2,020)
At 30 June 2023, net of accumulated amortisation and impairment losses	1,071	169	1,240
At 30 June 2023			
Cost	8,425	3,210	11,635
Accumulated amortisation and impairment losses	(7,354)	(3,041)	(10,395)
Net carrying amount	1,071	169	1,240
Year ended 30 June 2022			
At 1 January 2021, net of accumulated amortisation	3,425	878	4,303
Additions	509	10	519
Amortisation charge for the period	(1,282)	(428)	(1,710)
At 30 June 2022, net of accumulated amortisation and impairment losses	2,652	460	3,112
At 30 June 2022			
Cost	7,304	3,210	10,514
Accumulated amortisation and impairment losses	(4,652)	(2,750)	(7,402)
Net carrying amount	2,652	460	3,112

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates being accounted for on a prospective basis.

i) Impairment assessment

During the year ended 30 June 2023, the Company's intangible assets have been identified as having indicators of impairment as result of the underlying business performance and the ongoing remediation activities. The recoverable amount of the intangible assets was determined based on value-in-use modelling of the underlying business operations of the Company and Prepaid Financial Services Limited. As at 30 June 2023, it was determined that the carrying value of the Company's software assets were greater than the recoverable amount, resulting in an impairment loss of £991,000 (2022: €nil) recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 15: Equity investments

	30 June 2023 £'000	30 June 2022 £'000
Equity investments – at fair value through Profit or Loss (FVTPL)	803	341

During the financial year ended 30 June 2023, a fair value gain of £462,000 was recognised in other income (2022: £156,000).

The below table provides information about the valuation technique and inputs used.

	30 June 2023 £'000	30 June 2022 £'000	Fair value hierarchy	Valuation techniques and key inputs	Significant observable inputs	Relationship of unobservable inputs to fair value
Visa Inc. shares	803	341	Level 1	Quoted market price of Visa Inc, class A common stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. This was converted at the year-end exchange rate.	The final conversion rate of Visa Inc. Series B preferred stock into Visa Inc. class A common stock.	N/A

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 16: Trade and other payables	30 June 2023	30 June 2022
	£'000	£'000
Trade payables	1,101	984
Intercompany trade payable	-	2,502
Accrued expenses	1,875	1,847
VAT liability	304	548
Other payables	204	138
	3,531	6,019

All payables are non-interest bearing and are normally settled on 30-day terms.

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Note 17: Provisions

	30 June 2023	30 June 2022
	£'000	£'000
Regulatory matters	1,578	2,951

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Company expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 17: Provisions (continued)

The below table reconciles movements in Provisions during the financial year:

	Regulatory matters £'000
Opening balance at 1 July 2021	920
Amounts paid during the year	(920)
Additional provision recognised	2,951
Closing balance at 30 June 2022	2,951
Amounts paid during the year	(1,684)
Additional provision recognised	317
Unrealised foreign currency exchange difference	(6)
Closing balance at 30 June 2023	1,578

Financial Conduct Authority (FCA) Correspondence

The Company agreed to temporarily cease onboarding new customers, agents and distributors following concerns raised by the FCA primarily in relation to the risk and control frameworks and governance. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of the matter including professional advisory services to facilitate the remediation. As at 30 June 2023, the Company has a provision of £1,578,000 (30 June 2022: £2,951,000) in relation to the above matter. Additional costs may be incurred consequential to this matter, which are unknown or do not meet the criteria to be provided at 30 June 2023 which have been identified as contingent liabilities, refer Note 25.

KEY SOURCES OF ESTIMATION UNCERTAINTY - REGULATORY MATTERS PROVISION

The provision for regulatory matters represents management's best estimate of the Company's liability for remediation and potential fines or enforcement costs associated with the regulatory issues. The Company have engaged expert legal and professional advisors to assist with the remediation of issues raised. Provisions for the cost of external advisors have been determined considering the likely scope of work to be undertaken and estimates received from professional advisors. Any future changes in the amount will be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 18: Liabilities to stored value account holders	30 June 2023	30 June 2022
	£'000	£'000
Liabilities to stored value account holders	475,687	437,499

Liabilities to stored value account holders are held at demand value and represent funds received for stored value accounts issued by the Company that have in turn been deposited by the Company with a financial institution. As liabilities to stored value account holders are on-demand liabilities they are classified as current liabilities. The Segregated funds is disclosed in Note 12.

Note 19: Issued capital	30 June 2023	30 June 2022
	£'000	£'000
15,055,048,000 fully paid ordinary shares (2022: 20,166,686,000)	9,736	20,167

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movements in issued capital	No.	£'000
Opening balance at 1 July 2021	6,040,098,000	6,040
Capital injection as at 9 August 2021	14,126,588,000	14,127
Closing balance at 30 June 2022	20,166,686,000	20,167
Capital reduction as at 30 August 2022	(5,111,638,000)	(5,112)
Capital reduction as at 30 May 2023	(5,319,300,000)	(5,319)
Closing balance at 30 June 2023	9,735,748,000	9,736

During the financial year ended 30 June 2023, the issued share capital of the Company was reduced from 20,166,686,000 ordinary shares to 9,735,748,000 ordinary shares by cancelling and extinguishing 10,430,938,000 of the issued ordinary shares in the Company.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments

i. Overview

This note presents information about the Company's financial instruments including:

- An overview of all financial instruments held by the Company;
- Exposure to financial risks and the Company's processes for managing the risks;
- Accounting policies; and
- Capital management.

The financial assets and liabilities held by the Company are detailed below:

		30 June 2023	30 June 2022
		£'000	£'000
Financial assets			
Cash and cash equivalents	Amortised cost	7,891	4,985
Trade and other receivables	Amortised cost	2,392	5,839
Segregated funds and bond investments	Amortised cost	480,707	440,016
Intercompany loan receivable	Amortised cost	1,646	9,512
Equity investments	Fair value through profit and loss	803	341
Financial liabilities			
Trade and other payables ¹	Amortised cost	3,180	5,471
Liabilities to stored value account holders	Amortised cost	475,687	437,499
Intercompany loan payable	Amortised cost	1,503	2,590
Lease liability	Amortised cost	558	717

¹ VAT payable under Trade and other payables of £304,000 as at 30 June 2023 (2022: 548,000) is not considered a financial liability per IAS 32.11 because it is not a contractual obligation and has been excluded.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments (continued)

ii. Financial risk management

This section explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. The below table details the risks arising from financial instruments that the Company is exposed to.

Risk	Exposure arising from	Measurement of risk	Management of risk
Credit risk	Cash and cash equivalents Trade and other receivables Segregated funds and bond investments Intercompany loan receivable	Credit ratings Aging analysis	Investment guidelines for bank deposits Credit Limits
Liquidity risk	Trade and other payables Intercompany loan payable	Maturity analysis	Maintaining adequate cash reserve and continuously monitoring forecast and actual cash flows
Market risk- Interest rate risk	Cash and cash equivalents, Segregated funds and bond investments	Sensitivity analysis	Invest excess cash or funds in term deposits at required maturities.
Market risk- Currency risk	Equity investments	Sensitivity analysis	Foreign exchange contracts to cover specific material foreign currency exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

The Company's risk management policies are established to identify and analyse the risks relevant to this Company and faced by the Company, to set appropriate risk limits and controls to monitor risk and adherence to limits. The policies and systems are reviewed regularly to reflect changes in the market conditions and the Company's activities.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments (continued)

iii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities. As at 30 June 2023, there were no significant concentrations of credit risk.

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with Central Bank issued instruments or instruments that attract a 0% risk weighting. Expected credit losses on cash and cash equivalents have been measured on a 12-month expected loss basis which has been adjusted for liquidity. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings.

Trade and other receivables

Outstanding customer receivables are generated by transaction and service-based revenue and is regularly monitored. For self-issued products, the Company controls cash stored value and has the right to offset client share of revenue after providing sufficient notice.

Please refer to Note 11 in relation to the assessment of trade receivables for ECLs.

Segregated funds and bond investments

The Company recognises Segregated funds and bond investments and offsetting liabilities to client shared account holders. These categories represent stored value accounts issued by the Company. These balances are utilised in the same proportion. Therefore, the only credit risk relates to the financial institution which holds the client funds on deposit.

Bond investments

The Company's bond investments are considered to have low credit risk, and the ECL considerations are therefore limited to 12 months expected losses. The Company's Liquidity Policy provides the guidelines for investing cardholder funds and requires that bonds purchased are secure, liquid and low credit risk. The Company assess the impact of current economic conditions, collate external credit ratings and consider historical default rates on investments that have the same credit rating.

Intercompany loan receivable

There are intercompany loans between the Company and other EML entities that relate to the general operational trading where expenses were recharged to the Company. The credit risk attached to the intercompany loans are managed by the local risk team and the ultimate parent entity; EML Payments Limited. Refer to Note 13.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments (continued)

iv. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Maturity analysis for non-derivative financial liabilities

Short-term and long-term cash flow forecasts are monitored by the Company to ensure that the Company has adequate working capital to continue in operational existence for the foreseeable future. Where required, liquidity requirements will be funded by the parent entity; EML Payments Limited in the form of a letter of support to ensure that appropriate funding will be provided to enable the business to continue to meet its liabilities as they fall due.

Contractual maturities of financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2+ years £'000
30 June 2023						
Trade and other payables	3,484	3,484	3,484	-	-	-
Liabilities to stored value account holders ¹	475,687	475,687	-	-	-	-
Intercompany payable	1,503	1,503	1,503	-	-	-
Lease liability	558	558	74	74	151	259
Total	481,232	481,232	5,061	74	151	259
30 June 2022						
Trade and other payables	6,019	6,019	6,019	-	-	-
Liabilities to stored value account holders ¹	437,499	437,499	-	-	-	-
Intercompany payable	88	88	88	-	-	-
Lease liability	717	717	63	85	148	421
Total	444,323	444,323	6,170	85	148	421

¹ Liabilities to stored value account holders is utilised in the same proportion as Segregated funds. Therefore, the contractual cash flow would net off.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments (continued)

v. Market risk

The Company is exposed to interest rate risk on its cash and cash equivalents and segregated funds.

At the reporting date the Company's interest-bearing financial instruments were:

	2023 £'000	2022 £'000
Variable rate instruments		
Cash and cash equivalents	7,891	4,985
Segregated funds	314,769	272,273
	322,660	277,258

The Company is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate because of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
	100 BP increase £'000	100 BP decrease £'000	100 BP increase £'000	100 BP decrease £'000
Variable rate instruments				
30 June 2023	1,610	(1,610)	1,610	(1,610)
30 June 2022	1,618	(1,618)	1,618	(1,618)

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 20: Financial instruments (continued)

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Company's exposure to the risk of changes in foreign currency exchange rates relates primarily to the Company's investment in financial asset which is denominated in a foreign currency.

The sensitivity to the Company's profit or loss to a reasonably possible change in GBP, Euro and USD exchange rates, with all other variables held constant is immaterial due to the portfolio nature of the business operating in a number of currencies.

vi. Capital management

Capital is defined as the equity of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to support future working capital.

Under the EMRs the Company must comply with the following capital requirements:

- 1) For electronic money issuance - maintain a minimum amount of own funds (capital) equal to 2% of the average amount of outstanding electronic money ("Method D")
- 2) For non-electronic money payment services – comply with Method B as outlined in the EMR's.

There were no changes in the Company's approach to capital management during the year. Risk management policies, procedures and metrics are established with regular monitoring and reporting.

The Company remained within capital requirements at all times during the financial year.

vii. Accounting policies

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables.

The Company does not currently hold any debt instrument financial assets designated as fair value through OCI or through profit and loss.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 21: Reconciliation of operating cashflows	30 June 2023	30 June 2022
	£'000	£'000
Profit after income tax	1,550	6,618
Add: non-cash items		
Depreciation and amortisation	2,236	1,892
Share based payments	131	-
Fair value gain on financial asset held at fair value	(462)	-
Net foreign exchange differences	(106)	24
Amortisation of bond portfolio	672	543
Impairment of trade receivables	297	17
Intercompany expenses	-	(4,015)
Impairment of intangible assets	991	-
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	3,138	(2,168)
(Increase) in other current assets	(650)	(116)
Decrease/(Increase) in contract assets	2,025	(7,249)
Decrease/(Increase) in current tax	2,997	(717)
Decrease/(Increase) in deferred tax asset	-	17
(Increase) in segregated assets and bond investments	(41,404)	(48,595)
Decrease/(Increase) in trade and other payables	(2,535)	334
Decrease/(Increase) in provisions	(1,379)	2,031
Decrease in liabilities to stored value account holders	38,224	33,003
Decrease/(Increase) in other liabilities	149	205
Decrease/(Increase) in employee benefits	-	(32)
Decrease/(Increase) in deferred tax liabilities	(213)	74
Net cash generated from/(used in) operating activities	5,661	(18,134)

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 22: Subsequent events

No significant transactions or events after 30 June 2023 have arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial periods.

Note 23: Going concern

During the year ended 30 June 2023, the Company recognised a profit after tax of £1,550,000 (2022: £6,618,000) reflecting the decline in revenue from one-off events in the prior period and an impairment loss on intangibles in the current period. The Company recognised an operating cash inflow of £5,661,000 (2022: £18,134,000). As at 30 June 2023, the Company has net current liabilities of £153,369,000 (2022: £148,994,000). The Directors note that the net current asset deficiency results solely from:

- The classification of Liabilities to stored value accounts holders as current liabilities on the basis these are on-demand cardholder liabilities; and
- A portion of the surplus segregated funds being classified as non-current assets due to investment of these funds into secure, liquid and low credit risk bonds with maturities greater than 12 months. Please refer to further details of the Segregated funds and bond assets and Liabilities to stored value account holders in Notes 12, 18 and 20 including further details on the financial risk management considerations for the Company.

On an annual basis, the Directors review the appropriateness of preparing the financial statements under the going concern principle for a period of at least 12 months from the date of approval of the financial statements. The Directors consider the following to ensure that the Company has adequate working capital to continue in operational existence for the foreseeable future:

- Cash requirements in the short-term and long-term;
- Short-term and long-term profit and loss forecasts;
- Current and forecast regulatory capital position;
- The Company's liquidity by assessing the net current asset and net asset position both at 30 June 2023 and subsequently; and
- Letter of support provided by EML Payments Limited to ensure the Company can continue to meet its obligations for at least the next 12 months.

The Directors have considered among other things, principal risks and uncertainties facing the business (as outlined in the principal risks and uncertainties section), the Company's capital levels against the minimum requirements set out in the regulations and monitors them regularly. This has resulted in the requirement for a capital injection from The Company's shareholder at 30 June 2023.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Directors have considered the principal risks and uncertainties that could impact its business model including the potential impact of the regulatory concerns raised by the FCA.

Having taken into consideration the above matters, the Directors believe it appropriate to prepare the financial statements using the going concern principle.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 24: Auditor's remuneration

The auditors of Prepaid Financial Services Limited is Deloitte LLP.

	30 June 2023	30 June 2022
	£'000	£'000
Audit of financial statements	79	74
Audit of financial statements – non-recurring relating to prior years	5	-
Additional costs in relation to regulatory matters	60	-
	144	74

There were no other fees paid to the auditor for services during the financial year.

Note 25: Contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable is provided below:

Financial Conduct Authority (FCA) Correspondence

The Company agreed to temporarily cease onboarding new customers, agents and distributors following these concerns raised by the FCA primarily in relation to the risk and control frameworks and governance. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of the matter including professional advisory services to facilitate the remediation. As at 30 June 2023, the Company has a provision of £1,578,000 (2022: £2,951,000) in relation to the above matter, refer Note 17. Additional costs may be incurred consequential to this matter such as additional costs or for regulatory fines, which are unknown or do not meet the criteria to be provided at 30 June 2023.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 26: Statement of material accounting policies

26.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with the United Kingdom adopted international accounting standards.

The financial statements are prepared on the historical cost basis. The financial report is presented in Sterling and all values are rounded to the nearest thousand (£ 000), except when otherwise indicated.

26.2 Adoption of new and revised standards

The Company has made the election to early adopt the *Disclosure of Accounting Policies – Amendments to IAS 1* and IFRS Practice Statement 2 which becomes mandatory to the Company for the period commencing 1 July 2023. This amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. The impact of this to the Company's 30 June 2023 financial statements has been to remove disclosures of accounting policy information which is deemed immaterial to the Company.

26.3 Accounting standards and interpretations that have been issued but not yet effective

The Company has not applied the following new and revised IASs that have been issued but are not yet effective:

The Company has determined no material impact of the issued but not yet effective standards.

Standards/Interpretations	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current</i>	1 January 2023	30 June 2024
<i>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates</i>	1 January 2023	30 June 2024
<i>Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023	30 June 2024

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 26: Statement of material accounting policies (continued)

26.4 Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the case of this Company, the critical judgements in applying the Company's accounting policies in the financial year include:

- AMF, refer to Note 2.

The critical accounting estimates for the financial year includes Regulatory matters provision amount, refer to Note 17.