

Registered number: 08134141

**EPAYMENTS SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**



EPAYMENTS SYSTEMS LIMITED

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EPAYMENTS SYSTEMS LIMITED

COMPANY INFORMATION

| | |
|----------------------------|--|
| Directors | E Arbuzova A Fetin |
| Registered number | 08134141 |
| Registered office | Building 1 Chalfont Park Gerrards Cross United Kingdom SL9 0BG |
| Independent auditor | PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London E14 4HD |

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

Introduction

The Board of Directors ("the Board") are presenting the strategic report for the "the Group", comprising of Epayments Systems Limited ("the Company") and Epayments Technologies LLC ("the Subsidiary") for the year ended 30 April 2022.

Business review

Epayments Systems Limited is an electronic payment service provider that was founded in 2011 with customers in more than 190 countries from various sectors of the e-Commerce marketplace and the digital economy. The Company is registered with and regulated by the Financial Conduct Authority ("FCA") as an Electronic Money Institution ("EMI"), under the reference FRN 900172. The Company provides E-Wallet accounts, prepaid MasterCard® cards, payments and merchant services to individual and corporate customers.

Epayments Systems Limited is a principal issuer of MasterCard® cards. It also has a PSI DSS compliant licence. This licence issued by the payment systems of MasterCard® and VISA is a confirmation that the Company meets all their requirements for the storage and processing of card data, which guarantees clients security on their card transactions.

In December 2019, Epayments Systems Limited was subject to a routine supervision review by the Financial Conduct Authority. As a result of the FCA's findings, the Company agreed to undergo a Voluntary Application for Imposition of Requirement ("VREQ") in February 2020. The requirements included the Company not being able to onboard new customers, issue new e-money, provide any payment services to existing customers nor redeem any e-money without the FCA's prior consent. As a result, the ability of the Company to transact with customers stopped on a temporary basis.

The Company received confirmation from the FCA on 24 December 2021 that the VREQ was lifted. However, the effects of the VREQ on the results for the year to April 2022 have been substantial, as the business has grappled with the remediation activities required to release the VREQ.

Epayments Technologies LLC was incorporated on 25 April 2018 to provide software development support to Epayments Systems Limited.

As a result of the VREQ, the Group has:

- invested significantly in updating and improving its systems;
- reworked many of its processes;
- fully remapped its procedures, particularly in respect of financial crime prevention;
- significantly enhanced and improved its controls;
- introduced robust governance arrangements; and
- increased the quality and capabilities of its people; and
- delivered robust risk, governance and compliance related oversight activities.

The aforementioned work has improved the Group's processes, internal controls, operational capabilities, and resilience, in order for it to get to the next steps. The focus of the work post year end has continued on remediation, and preparing for a return to business as usual activities. This process has involved close liaison with the FCA and engagement by the company of professional firms to assist and advise on the remediation steps. This also includes working with the appointed Skilled Person in line with the requirements of s166 Financial Services and Markets Act.

As a result of the VREQ and subsequent S166, the Company has incurred losses of £13.2m during the financial year and £7.4m in the post year end period, comprising significant expenditure on professional fees and also from the absence of revenues pending the recommencement of business-as-usual activities following the removal of the VREQ. The losses have been funded by accumulated reserves and the issue of £20m of new share capital.

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GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

On the 5th of August 2022, the Board made the decision to solvently wind down the business due to the lack of sufficient progress toward "business as usual". The Board anticipate that the wind-down will not involve any financial loss to creditors or customers. More details are stated on page 7 of this report.

Key performance indicators

The management team of the Company reviews and approves the annual budget. The Group relies on different Key Performance Indicators (KPI's) at an operational level which are specific to the business. Financial performance of the Company is reviewed by the management team on a regular basis, using data provided on a daily, weekly, monthly and quarterly basis. The KPI's for the Company are the volume of new E-wallets it opens, the volume of prepaid MasterCard® cards issued, the volume and number of transactions and the amount of turnover by product and the gross profit margins. Non-financial performance indicators for the Company include customer satisfaction and staff morale.

KPIs monitored by the Group:

| | 2022 | 2021 |
|----------------------|---------|---------|
| Revenue, £'000 | 152 | 38 |
| (Gross loss), £'000 | (864) | (931) |
| Gross profit margin | - | - |
| E-wallet accounts | 254,839 | 254,839 |
| Prepaid cards issued | 79,633 | 79,633 |

E-wallet accounts

The number of E-wallets is a count of active customers registered with ePayments system as at 30 April 2022.

Prepaid cards issued

The number of prepaid cards issued is a count of active ePayments Prepaid MasterCard® cards issued as at 30 April 2022.

Principal risks and uncertainties

Given the decision of the Board to wind down Epayments Systems Limited, the key strategic focus of the Company is the completion of its customers' refunds process and to ensure the solvent wind-down of the business. The principal risk for the Company therefore relates to the effective and efficient execution of this strategy.

To mitigate this risk, the Company:

- performs and regularly updates the cashflow projections;
- prepares the analysis of its budgets and resources;
- has in place a Board approved Wind-down Plan that is continually refined;
- has in place a Wind-down Planning Steering Committee (WDPSC) that reports to the Board, to ensure that the wind-down is done in an effective, solvent and orderly manner, key risks are addressed, and is aligned to the regulatory requirements for a Company's wind-down.

Going concern

Following a review of the anti-money laundering systems and controls of ePayments Systems Limited, in February 2020 the Financial Conduct Authority imposed that the Company must not register nor onboard new customers, issue new e-money, provide any payment services to existing customers nor redeem any e-money without their prior consent. As a result, the ability of the Company to transact with customers stopped on a temporary basis. This has had a significant effect on the Group's results for the year ended 30 April 2022. The

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

directors have worked closely with the FCA and with the business investing significantly in remediating the identified weaknesses, and in addition, taking substantial steps to enhance its governance, its broader operational capabilities and its operational resilience. On the 24 of December 2021, the FCA regulatory restrictions were lifted with further regulatory oversight until the FCA permitted the Company to return to business as usual ("BAU").

Due to lack of sufficient progress toward "business as usual", on 5 August 2022, the Board had taken the decision to permanently wind down the Company. The directors anticipate that the closure will not involve any financial loss to creditors or customers.

These financial statements have therefore not been prepared on a going concern basis. The directors are of the opinion that no adjustments are required to the financial statements as a result of the use of a basis other than going concern.

Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. This is supported by a robust planning process which has the full involvement of the management team. The capital position of the Company is also monitored to ensure compliance with capital adequacy requirements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The main credit risk to which the Company is exposed to is in respect of its debtors. However, since these are primarily inter-Group debtors, the risk is not considered to be significant. The financial risk arising from the possible non advance of credit by the Group's trade creditors, either by exceeding the credit limit or not paying within the specified terms, is managed by prompt payment and regular monitoring of the trade balance and credit limit terms for all suppliers.

Operational risk

The availability of the Group's products and services depends on the continuing operation of its information technology and communications systems, and on its banking partners. The internal systems may be subject to damage via its interruption from power loss, technical failures, computer viruses, cyberattacks and other attempts to harm the systems. To address the above risks, the Company has two separate server locations. Transaction data is replicated at regular intervals to standby databases at the two sides. Transaction data is also saved as back-up data in the separate server locations as an additional contingency measure.

Regulatory risk

The Company, being a regulated firm in the UK, operating under the EMI rules as a UK institution, but transacting with customers who are domiciled across a large number of countries, always faces some uncertainty with regards to the regulatory requirements. Failure to comply with the regulatory requirements could lead to fines or other disciplinary action. The Company has been subject to the VREQ during this financial year which has continued into the next financial year, with the consequent impact to both its reputation and its financial resources. Following the VREQ process, the management team has been working to ensure that there is a high level of compliance procedures, policies and systems in place and that the Company constantly monitors these to ensure that it is fully compliant at all times. The management team is confident that it will be able to monitor changes in regulation and assess the impact that any changes may have on the business and plans to ensure they have sufficient resources to implement those changes.

The Group remains committed to the highest standards of openness and integrity. A risk-based anti-money laundering (AML), counter-terrorist financing (CTF), anti-fraud, anti-corruption approach is taken, which includes all necessary measures to mitigate against financial crime. The Group abides by and adheres to all applicable laws and regulations regarding AML and CTF in all jurisdictions where it conducts its business, being the UK. The Group has developed and implemented a comprehensive set of measures to identify, manage and control all AML risks starting at on-boarding customers stage.

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

Other risks

The Group may be subject to potential claims from existing customers. The Group is seeking to mitigate such risk by ensuring refunds are made in line with the removal of restrictions.

The risk management function continues to actively monitor and assess risks to the Group, whether that be in respect of financial risks, operational risks and legal risks. The main objective of risk management is to ensure that appropriate policies and procedures are in place to enable the effective management of the risks to which the Company is exposed and to ensure that these policies and procedures are effectively implemented and executed.

S172 Statement

The directors have complied with their responsibilities under Section 172 of the Companies Act 2006 which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members.

The Board is committed to ensuring the Group's business remains sustainable, not only from the shareholder's perspective, but also for the environment, customers, suppliers and others affected by Group activities. In so doing, the Board have regard to the following matters:

The likely consequences of any decision in the long term

By complying with Section 172, the directors have had regard to the interests of stakeholders affected by the Company's activities and to the likely consequences of decisions in the long-term. The Board regularly reviews the Group's position and strategies at the Board meetings. The decisions of the Board reflect the need to consider the interests of the staff and the need to continue to develop a technological advantage versus incumbents, so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down by the executive management through direct communication with those responsible for putting measures in place and taking action to achieve them.

The Company measures its performance based on KPI's which can be found in this Strategic Report on page 3 above.

(a) Interests of the Group's employees

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. In 2022, the Group had an average of 117 employees. At the beginning of 2022 the Group was actively seeking and growing their staff. The Group hiring focus was on hiring professionals who would share and live corporate values in the way that Group operates. The Group ensures that all employees are well-trained and looked after so that the staff provide the best possible service for the customers and remain with the Group for the long term period of time. In all instances, two-way communication is actively sought and encouraged.

There are "town hall" sessions with staff organised on a frequent basis to discuss what's happening in the business, provide staff with information on new developments, show a spotlight on different departments and encourage employees to ask questions.

Employees are actively urged to share their feedback, be it positive or negative, which is then reviewed by direct line management and the leadership team to ensure that the actions are taken to improve staff satisfaction and engagement with the Group.

During the Covid-19 lockdown the Group supported staff with the tools and equipment they needed to be able to carry on their daily tasks comfortably in order to ensure they were able to manage a stress-free transition to working from their homes and still being able to carry on delivering for the Group. The Group has adopted a very flexible approach to working, whereby it is the choice of the employee to work from home or from the office.

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

(b) Fostering business relationships with customers, suppliers and others

Throughout the VREQ period, the Group has continued to keep customers, suppliers and other stakeholders updated of the progress with its process to return to business as usual, with the aim to maintain strong relationships in a difficult and challenging period.

All relationships with partners and others engaged to supply services to the Group are formally recorded in written contracts, engagement letters, service level agreements and terms of business. The executive management monitors performance under these arrangements to pay the suppliers in accordance with the Group's agreed payment policy. Transparent two-way communication with the suppliers is actively sought and encouraged. The Group feels very strongly about the customers and providing them with the best service available.

(c) The impact of the Group's operations on the community and the environment

The Board is committed to ensuring the Group's business remains sustainable for the community, environment and others affected by the Group's activities. It considers collaboration with quality partners important in ensuring the Group's long-term success and sustainability. The performance in this respect is periodically reported to and reviewed by the Group's Executive Management.

(d) Maintaining a reputation for high standards of business conduct

The Board recognises the importance of the Group building a reputation for high standards of business conduct to ensure the business remains sustainable, maximises its competitive advantage over the longer term and builds value for the shareholder.

The employees must comply with Group's values as well as requirements of the FCA, which sets a high bar for conduct and how relationships and business are managed. This includes a comprehensive suite of Policies and Procedures.

The main risks the business faces are detailed further in this Strategic report on pages 3 - 5.

As a Group, the companies aim to provide the staff with relevant training as appropriate. As the Company is regulated by the FCA these include the full range of anti-bribery and corruption and anti-money laundering requirements.

(e) Acting fairly with the shareholder of the Group

The support and engagement of the shareholder is imperative to the future success of the Group and the Board is committed to communicating effectively with the shareholder and understanding their needs and expectations. To achieve this, the Board encourages two-way communication with the shareholder and responds appropriately to ensure all questions or issues received from them are addressed in a timely manner.

The directors have regular, direct contact with the shareholder and make sure that their opinions are communicated to the Board as needed. There have been regular dialogues with the shareholder during the year.

There is also an on-going dialogue with the shareholder through formal communication of financial results and providing periodic updates in this respect.

Development and performance

On the 5th of August 2022 the Board declared the decision to wind down the Company. Following this decision, the focus of the Group was transferred to the preparation of the wind-down plan in order to help to reduce the risk of negative effects on customers, vendors and market participants. The Company is concentrated on the assessment of the adequate resources to wind down in an orderly manner under challenging circumstances to be able to return all customers' funds before it will be closed. The Company ensures that customers' funds continued to be safeguarded during the whole period of wind-down in accordance with the Regulatory

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

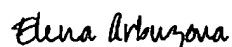
requirements.

The Company develops the plan to set out the risks, scenarios, governance arrangements, operational procedures, estimated costs to wind down the business to the point where it ceases its regulated activities and can be solvently dissolved.

The Company is working closely with the FCA on the wind-down procedure to minimise any adverse impact on the customers, vendors and other stakeholders.

The directors believe the Company is well placed to perform all the wind-down procedures solvently and in an orderly manner.

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



E Arbuzova
Director

Date: 31/03/2023

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022

The directors present their report and the financial statements for the year ended 30 April 2022.

Principal activity

The principal activity of the Company and the Group continued to be that of an issuer of electronic money and provider of payment services.

Results and dividends

The loss for the year, after taxation, amounted to £13,546,332 (the loss for 2021 - £9,596,458).

The directors do not recommend a dividend.

Directors

The directors who served during the year were:

E Arbuzova
A Fetin

Matters covered in the strategic report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Post balance sheet events

Subsequent to the year end, the Company raised additional share capital for cash consideration comprising: £506,400 on 17 May 2022, £731,085 on 21 June 2022, £845,200 on the 10 August 2022.

On the 28th of July 2022, the Board made a decision and confirmed an intention to sell the full share in Epayments Technologies LLC registered capital (99%) owned by Epayments Systems Limited.

On the 5th of August 2022, the Board declared the decision to wind down the Company in a solvent way. The Company aims for all customer funds to be returned, and for all the obligations to be repaid in full.

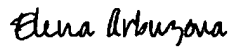
EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022

In September 2022, there has been a release of the full amount of the deposit held by MasterCard of £956,781, included within other debtors falling due within one year, improving the Company's cash position by that amount.

In March 2023, the Company received the subordinated loan from the parent company in the total amount £88,140 with 5% annual interest rate.

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



E Arbuzova
Director

Date: 31/03/2023

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 APRIL 2022

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 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.

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED FOR THE YEAR ENDED 30 APRIL 2022

Opinion

We have audited the financial statements of ePayments Systems Limited (the 'parent Company') and its subsidiary (the 'group') for the year ended 30 April 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statements 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 30 April 2022 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 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, 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.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to Note 2.3 to the financial statements which explains that the directors intend to wind down the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2.3. Our opinion is not modified in respect of this matter.

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 Group and parent Company 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. 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.

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED FOR THE YEAR ENDED 30 APRIL 2022

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 report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and parent Company 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 Group and parent Company 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.

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:

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED FOR THE YEAR ENDED 30 APRIL 2022

- We obtained an understanding of the Group and parent Company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Group and parent Company in this regard to be those arising from the Electronic Money Regulations 2011, anti-money laundering regulations, taxation, FCA Rules and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and parent Company with those laws and regulations. These procedures included, but were not limited to:
 - Reviewing disclosures in the financial statements
 - enquiries of management,
 - review of minutes,
 - review of legal/regulatory correspondence
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to:
 - the testing of journals;
 - evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
 - preliminary and final analytical review to identify unexpected and unusual relationships.
- In our audit procedures, we have considered matters of non-compliance with laws and regulations, including fraud at the Group and component levels. We have performed audit procedures on all material components within the Group.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

EPAYMENTS SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAYMENTS SYSTEMS LIMITED FOR THE YEAR ENDED 30 APRIL 2022

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.



Azhar Rana (Senior Statutory Auditor)

For and on behalf of
PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus
Canary Wharf
London
E14 4HD
31 March 2023

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2022**

| | | 2022 | 2021 |
|---|-------------|----------------------------|---------------------------|
| | Note | £ | restated £ |
| Turnover | 4 | 152,175 | 38,402 |
| Cost of sales | | (1,016,460) | (969,484) |
| Gross loss | | (864,285) | (931,082) |
| Administrative expenses | | (10,040,854) | (8,786,422) |
| Remediation costs | 5 | (3,090,074) | (2,391,830) |
| Operating loss | 6 | (13,995,213) | (12,109,334) |
| Interest receivable and similar income | 9 | 205 | 50,040 |
| Other income | 9 | 422,250 | - |
| Interest payable and similar expenses | 10 | (12,598) | (12,797) |
| Loss before tax | | (13,585,356) | (12,072,091) |
| Tax on profit | 11 | 39,024 | 2,475,633 |
| Loss for the financial year | | <u>(13,546,332)</u> | <u>(9,596,458)</u> |
| Loss for the year attributable to: | | | |
| Parent Company | | (13,543,442) | (9,586,887) |
| Non-controlling interest | | (2,890) | (9,571) |
| | | <u>(13,546,332)</u> | <u>(9,596,458)</u> |

There are no items of other comprehensive income for either the year or the prior year other than the profit for the year. Accordingly, no statement of other comprehensive income has been presented.

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2022**

| | Note | 2022 £ | 2021 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 39,369 | 77,289 |
| Debtors: amounts falling due after more than one year | 14 | - | 860,359 |
| Debtors: amounts falling due within one year | 14 | 3,654,351 | 4,776,728 |
| Segregated cash and cash equivalent deposits | 15 | 83,694,342 | 104,717,038 |
| Cash and cash equivalents | 16 | 2,229,509 | 1,038,397 |
| | | <u>89,578,202</u> | <u>111,392,522</u> |
| Creditors: amounts falling due within one year | | | |
| Taxation and social security | | (154,789) | (130,164) |
| E-money float | 15 | (83,694,342) | (104,717,038) |
| Other creditors | 17 | (1,516,697) | (1,323,627) |
| Net current assets | | <u>4,212,374</u> | <u>5,221,693</u> |
| Total assets less current liabilities | | <u>4,251,743</u> | <u>5,298,982</u> |
| Provisions for liabilities | | | |
| Deferred taxation | 19 | - | (6,882) |
| Net assets | | <u><u>4,251,743</u></u> | <u><u>5,292,100</u></u> |

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2022****Capital and reserves**

| | | | |
|--------------------------|----|-------------------------|-------------------------|
| Called up share capital | 21 | 18,317,083 | 5,811,108 |
| Non-controlling interest | 22 | 259 | 3,149 |
| Profit and loss account | 23 | (14,065,599) | (522,157) |
| Total equity | | <u>4,251,743</u> | <u>5,292,100</u> |

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



E Arbuzova
Director

Date: 31/03/2023

The notes on pages 24 to 43 form part of these financial statements.

REGISTERED NUMBER:08134141

EPAYMENTS SYSTEMS LIMITED**COMPANY BALANCE SHEET
AS AT 30 APRIL 2022**

| | Note | 2022 £ | 2021 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 12,921 | 30,459 |
| Investments | 13 | 119 | 119 |
| | | <u>13,040</u> | <u>30,578</u> |
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 14 | - | 860,359 |
| Debtors: amounts falling due within one year | 14 | 3,805,093 | 4,774,341 |
| Segregated cash and cash equivalent deposits | 15 | 83,694,342 | 104,717,038 |
| Cash and cash equivalents | 16 | 1,904,677 | 1,022,788 |
| | | <u>89,404,112</u> | <u>111,374,526</u> |
| Creditors: amounts falling due within one year | | | |
| Taxation and social security | | (123,860) | (123,197) |
| E-money float | 15 | (83,694,342) | (104,717,038) |
| Other creditors | 17 | (1,373,136) | (1,580,792) |
| | | <u></u> | <u></u> |
| Net current assets | | 4,212,774 | 4,953,499 |
| Total assets less current liabilities | | 4,225,814 | 4,984,077 |
| Provisions for liabilities | | | |
| Deferred taxation | 19 | - | (6,882) |
| Net assets | | <u>4,225,814</u> | <u>4,977,195</u> |

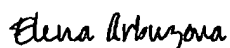
REGISTERED NUMBER:08134141

EPAYMENTS SYSTEMS LIMITED**COMPANY BALANCE SHEET
AS AT 30 APRIL 2022****Capital and reserves**

| | | | |
|-------------------------|----|-------------------------|-------------------------|
| Called up share capital | 21 | 18,317,083 | 5,811,108 |
| Profit and loss account | 23 | (14,091,269) | (833,913) |
| Total equity | | <u>4,225,814</u> | <u>4,977,195</u> |

The Company's net loss after tax for the year was £13,257,356 (2021 loss: £8,639,227).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



E Arbuzova
Director

Date: 31/03/2023

The notes on pages 24 to 43 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022**

| | Called up share capital | Non- controlling interest | Profit and loss account | Total equity |
|---------------------------------|----------------------------|---------------------------------|----------------------------|-------------------------|
| | £ | £ | £ | £ |
| At 1 May 2020 | 319,804 | 12,721 | 9,064,729 | 9,397,254 |
| Shares allotted during the year | 5,491,304 | - | - | 5,491,304 |
| Loss for the year | - | (9,572) | (9,586,886) | (9,596,458) |
| At 1 May 2021 | 5,811,108 | 3,149 | (522,157) | 5,292,100 |
| Shares allotted during the year | 12,505,975 | - | - | 12,505,975 |
| Loss for the year | - | (2,890) | (13,543,442) | (13,546,332) |
| At 30 April 2022 | <u>18,317,083</u> | <u>259</u> | <u>(14,065,599)</u> | <u>4,251,743</u> |

The notes on pages 24 to 43 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022**

| | Called up share capital | Profit and loss account | Total equity |
|---------------------------------|------------------------------------|------------------------------------|-------------------------|
| | £ | £ | £ |
| At 1 May 2020 | 319,804 | 7,805,314 | 8,125,118 |
| Shares allotted during the year | 5,491,304 | - | 5,491,304 |
| Loss for the year | - | (8,639,227) | (8,639,227) |
| At 1 May 2021 | 5,811,108 | (833,913) | 4,977,195 |
| Shares allotted during the year | 12,505,975 | - | 12,505,975 |
| Loss for the year | - | (13,257,356) | (13,257,356) |
| At 30 April 2022 | <u>18,317,083</u> | <u>(14,091,269)</u> | <u>4,225,814</u> |

The notes on pages 24 to 43 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2022**

| | 2022 | 2021 |
|--|---------------------|--------------------|
| | £ | £ |
| Cash flows from operating activities | | |
| Loss for the financial year | (13,546,332) | (9,596,458) |
| Adjustments for: | | |
| Depreciation of tangible assets | 47,852 | 66,805 |
| Adjustment to previous periods of TA | - | (7,922) |
| Interest paid | 12,598 | 12,797 |
| Interest received | (205) | (17,001) |
| Taxation recovery | (39,024) | (2,475,633) |
| (Increase)/decrease in debtors | 1,896,070 | 4,459,252 |
| Increase/(decrease) in creditors | 234,177 | (338,211) |
| Loans from Group undertakings written-off | - | (1,813,078) |
| Interests written-off | - | (27,045) |
| Fixed assets disposal adjustment | - | 31,988 |
| Corporation tax (received) | - | 1,384,712 |
| Undefined wires writing-off | 89,776 | - |
| Foreign exchange | 136,102 | 628,451 |
| Net cash used in operating activities | (11,168,986) | (7,691,343) |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (9,980) | (37) |
| Interest received | 205 | 17,001 |
| Net cash from investing activities | (9,775) | 16,964 |

EPAYMENTS SYSTEMS LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2022**

| | 2022 £ | 2021 £ |
|---|-------------------------|-------------------------|
| Cash flows from financing activities | | |
| Share capital increase | 12,505,975 | 5,491,304 |
| Net cash generated by/(used in) financing activities | <u>12,505,975</u> | <u>5,491,304</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>1,327,214</u> | <u>(2,183,075)</u> |
| Cash and cash equivalents at beginning of year | 1,038,397 | 3,849,923 |
| Foreign exchange gains and losses | (136,102) | (628,451) |
| Cash and cash equivalents at the end of year | <u><u>2,229,509</u></u> | <u><u>1,038,397</u></u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 2,229,509 | 1,038,397 |
| | <u><u>2,229,509</u></u> | <u><u>1,038,397</u></u> |

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1. General information

Epayments Systems Limited is a private company limited by shares incorporated in England and Wales. The address of its registered office is Building 1 Chalfont Park, Gerrards Cross, United Kingdom, SL9 0BG.

The Group consists of Epayments Systems Limited and its subsidiary Epayments Technologies LLC.

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 profit and loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair value determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Epayments Systems Limited and all of its subsidiaries (i.e., entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 April 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

by other members of the Group.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Epayments Technologies LLC has been included in the Group financial statements using the purchase method of accounting. Accordingly, the Group statement of comprehensive income and statement of cash flows include the results and cash flows of Epayments Technologies LLC for the full year.

2.3 Going concern

In February 2020 the Company agreed to be subject to a Voluntary Application for Requirement ("VREQ") following a routine supervision review by the Financial Conduct Authority. The requirements include prohibitions on conducting business with customers without the prior consent of the FCA, onboarding new customers, issue new e-money, provide any payment services to existing customers nor redeem any e-money without prior consent of the FCA. As a result, the ability to transact with customers stopped. The directors have worked closely with the FCA since February 2020, with the business investing significantly in remediating the identified weaknesses, and in addition, taking substantial steps to enhance its governance, its broader operational capabilities and its operational resilience.

The Company received confirmation from FCA on 24 December 2021 that the VREQ was lifted with further regulatory oversight until the FCA permitted the Company to return to business as usual "BAU". The effects of the VREQ on the results for the year to April 2022 have been substantial, as the business has grappled with the remediation activities required to release the VREQ.

However due to lack of sufficient progress toward "business as usual", the Board had taken the decision to permanently wind down the Company. The directors anticipate that the closure will not involve any loss to creditors or customers.

These financial statements have therefore not been prepared on a going concern basis. The directors are of the opinion that no adjustments are required to the financial statements as a result of the use of a basis other than going concern.

2.4 Reclassification of costs

Reclassification of costs relates to reallocation of the transaction monitoring costs which had been allocated to the Administrative expenses line in the Consolidated Profit and loss account, rather than the Cost of sales line. This reallocation adjustment decreases Administrative expenses and increases Cost of sales by £478,906, but has no impact on the profit or the net asset position from the year ended 30 April 2021.

2.5 Turnover

Turnover is derived from transaction processing services provided in the course of the Company's activity as an issuer of electronic payment services. The timing and quantity of transaction processed is not determinable at the inception of the contract. The payment services comprise a series of distinct services that are substantially the same and have the same pattern of transfer to the customer over time. The Company has contracted with its customers to provide an electronic mechanism to enable the processing of electronic payments. The consideration received is contingent upon the customer's usage pattern and the type of transactions undertaken. As such, the

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

total transaction price under a contract is variable. The Company allocates the commissions and fees charged to the period in which it has the contractual right to bill under the contract, which is typically at the point of transaction.

The Company determines whether it is responsible for providing its payment services as a principal, or for arranging for the services to be provided by the third party as an agent. In this determination, the Company assesses indicators including whether the Company or the third party is primarily responsible for fulfillment of the contract and the extent to which the Company has discretion over determining pricing for the good or service, as well as other considerations.

Prepaid card services are offered through MasterCard. Revenue is earned either as a commission or fee calculated as a percentage of funds processed or as a fixed charge per transaction, pursuant to the respective customer, as well as accounting administration fees and income from inter-currency transactions. The revenue is recognized at the moment the services are provided to the customer.

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional currency is Euro (€). This differs from the presentational currency which is Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the presentational 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.

On consolidation, the results of overseas operations are translated into Sterling at the rates prevailing when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in the profit and loss account for the period.

2.7 Operating leases

Rentals paid under operating leases are charged to profit or loss 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.

2.8 Related party transactions

The Company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the Group.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss 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.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 balance sheet date.

2.13 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.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

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:

| | |
|-----------------------|---------------------|
| Fixtures and fittings | - Over 60 months |
| Office equipment | - Over 25-37 months |
| Computer hardware | - Over 37 months |

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 profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the consolidated profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.15 Financial instruments

The Group has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

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

The Group's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets 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 profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the Company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the balance sheet 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.

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.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

2.17 Segregated cash and cash equivalent deposits

Segregated cash and cash equivalent deposits represent balances which are safeguarded in accordance with the Financial Conduct Authority regulations relating to the relevant funds. The bank deposits are not available liquidity for the Group's operational payment obligations.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholder at an annual general meeting.

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

Estimates

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

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****4. Turnover**

An analysis of turnover by class of business is as follows:

| | 2022 £ | 2021 £ |
|----------------------------|----------------|---------------|
| Mastercard program expense | (97) | (152) |
| Currency exchange revenue | 57,853 | 33,503 |
| Commissions | 94,419 | 5,051 |
| | <u>152,175</u> | <u>38,402</u> |

Analysis of turnover by country of destination:

| | 2022 £ | 2021 £ |
|-------------------|----------------|---------------|
| United Kingdom | 2,903 | 2,270 |
| Europe | 132,936 | 29,362 |
| Rest of the world | 16,336 | 6,770 |
| | <u>152,175</u> | <u>38,402</u> |

5. Remediation costs

These are the expenses for the professional fees charged during the remediation process which purpose is to improve the financial crime framework of the Company. During the year, the costs charges for remediation purposes are £3,090,074 (2021: £2,391,830).

6. Operating profit / (loss)

The operating profit / (loss) is stated after charging:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Exchange differences | 136,102 | 628,451 |
| Fees payable to the Group's auditor for the audit of the Group's financial statements | 60,000 | 92,545 |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

| | | |
|--|-----------------------|----------------|
| Fees payable to the Group's auditor for non-audit services | 5,213 | 14,097 |
| Depreciation of owned tangible assets | 47,852 | 66,805 |
| Other operating lease rentals | <u>154,588</u> | <u>310,996</u> |

7. Employees

Staff costs were as follows:

| | Group 2022 £ | Group 2021 £ |
|-----------------------|-----------------------------|-----------------------------|
| Wages and salaries | 4,051,126 | 2,579,621 |
| Social security costs | 381,931 | 260,754 |
| Pension costs | 24,895 | 8,676 |
| | <u>4,457,952</u> | <u>2,849,051</u> |

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

| | 2022 No. | 2021 No. |
|-----------------------|---------------------|---------------------|
| Compliance and Risks | 9 | 8 |
| Management | 3 | 3 |
| Administration and HR | 9 | 5 |
| Financial Crime | 19 | 2 |
| IT | 74 | 68 |
| Quality control | 1 | 12 |
| Marketing | 1 | 1 |
| Partner relations | 1 | 2 |
| | <u>117</u> | <u>101</u> |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****8. Directors' remuneration**

| | 2022 | 2021 |
|------------------------------|-----------------------|----------------|
| | £ | £ |
| Directors' emoluments | <u>365,703</u> | <u>302,177</u> |
| Highest paid Director | | |
| Director's emoluments | <u>325,703</u> | <u>279,498</u> |

9. Interest receivable and other income

| | 2022 | 2021 |
|---------------------------|-------------------|---------------|
| | £ | £ |
| Interest on bank deposits | 205 | 11,237 |
| Other interest receivable | - | 5,764 |
| Other income receivable | - | 33,039 |
| | <u>205</u> | <u>50,040</u> |

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss £205 (2021: £11,237).

Other income

| | 2022 | 2021 |
|--------------|-----------------------|----------|
| | £ | £ |
| VAT Recovery | <u>422,250</u> | <u>-</u> |

10. Interest payable and similar expenses

| | 2022 | 2021 |
|--|----------------------|---------------|
| | £ | £ |
| Interest payable to Group undertakings | <u>12,598</u> | <u>12,797</u> |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****11. Taxation**

| | 2022 £ | 2021 £ |
|---|-----------------|--------------------|
| Corporation tax | | |
| Tax effect on loss for the period | - | (12,058) |
| Adjustments in respect of previous periods | (32,142) | (2,457,487) |
| Total current tax | <u>(32,142)</u> | <u>(2,469,545)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (6,882) | (6,088) |
| Taxation on (loss)/profit on ordinary activities | <u>(39,024)</u> | <u>(2,475,633)</u> |

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

| | 2022 £ | 2021 £ |
|---|---------------------|---------------------|
| Profit / (loss) on ordinary activities before tax | <u>(13,585,356)</u> | <u>(12,072,091)</u> |
| Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | (2,581,218) | (2,293,697) |

Effects of:

| | | |
|---|-----------|-------------|
| Expenses not deductible for tax purposes | (4,835) | 7,877 |
| Income not taxable for tax purposes | - | (375,282) |
| Adjustments to tax charge in respect of prior periods | (1,671) | (2,457,487) |
| Losses carried back | - | 2,457,379 |
| Movement in deferred tax not recognized | 3,323,810 | - |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

| | | |
|--|-----------------|--------------------|
| Remeasurement of deferred tax for changes in tax rates | (797,714) | - |
| Group relief surrendered/(claimed) | - | 7,317 |
| Fixed assets difference | - | 1,110 |
| Foreign exchange differences | (32,302) | (4,724) |
| Overseas tax relief for subsidiary | 54,906 | 181,874 |
| Total tax charge for the year | (39,024) | (2,475,633) |

Factors that may affect future tax charges

In the Spring Budget 2021 on 3 March 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. This new law was substantively enacted on 24 May 2021.

The effects on the measurement of deferred tax that had been remeasured at the previously enacted 19% rate, has been included in these financial statements.

12. Tangible fixed assets**Group**

| | Fixtures and fittings £ | Office equipment £ | Computer equipment £ | Total £ |
|------------------|--|-----------------------------------|-------------------------------------|--------------------|
| Cost | | | | |
| At 1 May 2021 | 32,253 | 126,451 | 55,545 | 214,249 |
| Disposals | - | (939) | - | (939) |
| Additions | - | 9,980 | - | 9,980 |
| At 30 April 2022 | <u>32,253</u> | <u>135,492</u> | <u>55,545</u> | <u>223,290</u> |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****Depreciation**

| | | | | |
|-------------------------------------|---------------|----------------|---------------|----------------|
| At 1 May 2021 | 12,294 | 90,897 | 33,769 | 136,960 |
| Disposed | - | (487) | - | (487) |
| Charge for the year on owned assets | 6,350 | 28,069 | 13,029 | 47,448 |
| At 30 April 2022 | <u>18,644</u> | <u>118,479</u> | <u>46,798</u> | <u>183,921</u> |

Net book value

| | | | | |
|------------------|---------------|---------------|---------------|---------------|
| At 30 April 2022 | <u>13,609</u> | <u>17,013</u> | <u>8,747</u> | <u>39,369</u> |
| At 30 April 2021 | <u>19,959</u> | <u>35,554</u> | <u>21,776</u> | <u>77,289</u> |

Company

| | Fixtures and fittings £ | Office equipment £ | Computer equipment £ | Total £ |
|------------------|-------------------------------|--------------------------|----------------------------|---------------|
| Cost | | | | |
| At 1 May 2021 | 2,391 | 22,699 | 55,545 | 80,635 |
| Disposals | - | (938) | - | (938) |
| Additions | - | 855 | - | 855 |
| At 30 April 2022 | <u>2,391</u> | <u>22,616</u> | <u>55,545</u> | <u>80,552</u> |

Depreciation

| | | | | |
|-------------------------------------|--------------|---------------|---------------|---------------|
| At 1 May 2021 | 1,111 | 15,296 | 33,769 | 50,176 |
| Disposals | - | (487) | - | (487) |
| Charge for the year on owned assets | 476 | 4,437 | 13,029 | 17,942 |
| At 30 April 2022 | <u>1,587</u> | <u>19,246</u> | <u>46,798</u> | <u>67,631</u> |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****Net book value**

| | | | | |
|------------------|--------------|--------------|---------------|---------------|
| At 30 April 2022 | <u>804</u> | <u>3,370</u> | <u>8,747</u> | <u>12,921</u> |
| At 30 April 2021 | <u>1,280</u> | <u>7,403</u> | <u>21,776</u> | <u>30,459</u> |

13. Fixed asset investments**Company**

**Investments
in
subsidiary
companies
£**

Cost

| | |
|---------------------------------|------------|
| At 1 May 2021 and 30 April 2022 | <u>119</u> |
|---------------------------------|------------|

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

| Name | Registered office | Class of shares | Holding |
|----------------------------|--------------------------|------------------------|----------------|
| Epayments Technologies LLC | Moscow, Russia | Ordinary | 99 % |

14. Debtors

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Due after more than one year | | | | |
| Other debtors | <u>-</u> | <u>860,359</u> | <u>-</u> | <u>860,359</u> |

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

Other debtors in 2021 include prepayments to MasterCard of £860,359 to cover future MasterCard transactions.

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Due within one year | | | | |
| Amounts owed by Group undertakings | 184,600 | 1,888,639 | 344,714 | 1,888,639 |
| Amounts owed by joint ventures and associated undertakings | - | 184,341 | - | 184,341 |
| Other debtors | 1,027,747 | 120,779 | 1,026,154 | 120,013 |
| Prepayments and accrued income | 366,218 | 467,964 | 358,439 | 466,343 |
| Tax recoverable | 2,075,786 | 2,115,005 | 2,075,786 | 2,115,005 |
| | <u>3,654,351</u> | <u>4,776,728</u> | <u>3,805,093</u> | <u>4,774,341</u> |

15. Segregated investments & cash held on behalf of clients

Epayments Systems Limited, a FCA regulated entity, is required to have qualifying liquid assets (comprising of cash and cash equivalents and investments) equal to the e-money float. The e-money float represents amounts received into customer e-wallet accounts and these amounts are recognised on the approval of the initiated transactions. A minimum amount of capital, of Epayments Systems Limited, is required by the FCA. The FCA's regulatory requirement is, at any time, for Epayments Systems Limited to have capital in excess of £350,000 and hold regulatory own funds which are 2% of the average daily outstanding e-money amount at the end of each calendar day over the proceeding 6-month period.

The FCA regulatory requirements and the Company's regulatory own funds as at the year ends are as follows:

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|-------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| FCA regulatory capital requirements | 1,764,847 | 2,123,445 | 1,764,847 | 2,123,445 |
| Regulatory own funds | 4,225,814 | 4,977,195 | 4,225,814 | 4,977,195 |

For the years ended 30 April 2022 and 30 April 2021 Epayments Systems Limited was in compliance with the requirement to have at all times liquid assets in excess of the e-money float. The respective balances are presented below:

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Qualifying liquid assets | 85,599,019 | 106,600,188 | 85,599,019 | 106,600,188 |
| E-money float | 83,694,342 | 104,717,038 | 83,694,342 | 104,717,038 |

Group and Company:

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Segregated bank accounts within the EEA | 83,694,342 | 104,717,038 | 83,694,342 | 104,717,038 |
| E-money float | 83,694,342 | 104,717,038 | 83,694,342 | 104,717,038 |

The Company holds assets on behalf of its customers totaling £83,694,342 (2021: £104,717,038). The Company manages safeguarded funds that are held in segregated bank or investment accounts. The balances in these segregated accounts belong to the Company's customers and represent cash given in return for the issuance of e-money. The Company does not have rights or control to disburse the balances in these accounts unless it is acting in accordance with instruction received from its customers to redeem the e-money that has been issued. When e-money is issued to a customer, a liability against the Company is recognised on the balance sheet. With consideration of the preceding facts, the recognition of these assets and liabilities in the balance sheet is considered relevant to a full understanding of the Company's financial performance and financial solvency position.

16. Cash at bank and in hand

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | 2,229,509 | 1,038,397 | 1,904,677 | 1,022,788 |

17. Other creditors falling due within one year

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade creditors | 844,556 | 150,279 | 842,086 | 145,551 |
| Amounts owed to Group undertakings | 238,843 | 315,123 | 238,843 | 665,561 |
| Other creditors | 286,548 | 252,809 | 145,457 | 164,264 |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

| | | | | |
|----------|------------------|-----------|------------------|-----------|
| Accruals | 146,750 | 605,416 | 146,750 | 605,416 |
| | 1,516,697 | 1,323,627 | 1,373,136 | 1,580,792 |

18. Financial instruments

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | 3,186,291 | 1,898,756 | 2,861,458 | 1,883,147 |
| Financial assets measured at amortised cost | 131,068 | 135,666 | 131,068 | 135,666 |
| | 3,317,359 | 2,034,422 | 2,992,526 | 2,018,813 |

Financial instruments exclude all client balances.

19. Deferred taxation**Group**

| | 2022 £ |
|---------------------------|-------------------|
| At beginning of year | (6,882) |
| Charged to profit or loss | 6,882 |
| At end of year | - |

EPAYMENTS SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022****Company****2022
£**At beginning of year **(6,882)**Charged to profit or loss **6,882**-**At end of year**

| | Group 2022 £ | Group 2021 £ | Company 2022 £ | Company 2021 £ |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Accelerated capital allowances | <u>-</u> | <u>(6,882)</u> | <u>-</u> | <u>(6,882)</u> |

20. Defined contribution schemes

| | 2022 £ | 2021 £ |
|---|----------------------|-------------------|
| Charge to profit or loss in respect of defined contribution schemes | <u>24,895</u> | <u>8,676</u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

21. Share capital

| | 2022 £ | 2021 £ |
|---|--------------------------|-------------------|
| Allotted, called up and fully paid | | |
| Ordinary shares of £1.00 each | <u>18,317,083</u> | <u>4,031,108</u> |
| Allotted, called up and not fully paid | | |
| Ordinary shares of £1.00 each | <u>-</u> | <u>1,780,000</u> |

During the reporting year, the Company raised additional share capital (ordinary shares of £1.00 each): of £1,456,800 on 26 August 2021; £1,500,000 on 17 December 2021, all by way of capitalisation of intercompany loan balances; and subsequent issues of shares for cash consideration comprising:

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

£2,934,879 on 05 October 2021, £1,126,394 on 20 December 2021, £1,093,932 on 21 January 2022, £4,393,970 on 21 February 2022.

The total new share capital raised during the year is £12,505,975 with the nominal value £1.00 per each ordinary share (2021 - £5,491,304). The share capital at the year end is £18,317,083 (2021 - £5,811,108).

22. Non-controlling interest

Non-controlling interest account includes the retained earnings owned by the minority interest of the Subsidiary at the year end. This is £259 at 30 April 2022 (2021: £3,149).

23. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

24. Analysis of net debt

| | At 1 May 2021 £ | Cash flows £ | At 30 April 2022 £ |
|--------------------------|-----------------------|------------------|--------------------------|
| Cash at bank and in hand | 1,038,397 | 1,191,112 | 2,229,509 |
| Debt due within 1 year | - | - | - |
| | <u>1,038,397</u> | <u>1,191,112</u> | <u>2,229,509</u> |

The analysis of net debt excludes all client balances.

25. Contingent liabilities

Since the Company entered into the VREQ process, claims have been received from customers for the return of funds. The Company has now been able to commence the return of customer funds, in line with the permissions granted by the FCA as part of the VREQ process and subsequent removal in December 2021. Such claims are expected to be fully resolved once customers are able to receive their refunds, and in fact, experience to date shows that once customers have received their refund, customer complaints have been resolved. The directors have considered whether any further claims maybe received from customers in respect of the delays in being able to access their funds. The directors do not consider it practicable to assess the quantum or timing of any cash outflows that may arise from such claims, other than the return of customer funds, but are of the opinion that the likelihood of any such claims is remote.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

Related party transactions

26. During the year, Epayments Systems Limited incurred expenses totaling £2,437,409 (2021: £3,740,957) for supporting services provided by a related company. Amounts owed as at year end was £225,245 (2021: £261,597).

Total interest payable accrued during the year on the subordinated loan received from a parent company was £13,597 (2021: £nil). At the year end, the Company has accounts receivable from the parent company in total in the amount of £184,600 (2021: £1,888,007).

Total Group remuneration in respect of the key management personnel for the year was £1,070,499 (2021: £1,001,155).

Post balance sheet events

27. Subsequent to the year end, the Company raised additional share capital for cash consideration comprising: £506,400 on 17 May 2022, £731,085 on 21 June 2022, £845,200 on the 10 August 2022.

On the 28th of July 2022, the Board made a decision and confirmed an intention to sell the full share in Epayments Technologies LLC registered capital (99%) owned by Epayments Systems Limited.

On the 5th of August 2022, the Board declared the decision to wind down the Company in a solvent way. The Company aims for all customer funds to be returned, and for all the obligations to be repaid in full.

In September 2022, there has been a release of the full amount of the deposit held by MasterCard of £956,781, included within other debtors falling due within one year, improving the Company's cash position by that amount.

In March 2023, the Company received the subordinated loan from the parent company in the total amount £88,140 with 5% annual interest rate.

28. **Controlling party**

The immediate and ultimate parent company is Epayments Holdings Limited, a company incorporated in Jersey with number 110641, whose registered office is at 3rd Floor, Charter Place, 23-27 Seaton Place, St Helier, Jersey, JE4 0WH. Epayments Holdings Limited does not prepare consolidated financial statements and is controlled by the EXIF Trust.