Registered number: 08134141

EPAYMENTS SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2020

EPAYMENTS SYSTEMS LIMITED

CONTENTS

EPAYMENTS SYSTEMS LIMITED

COMPANY INFORMATION

Directors	E Arbuzova A Fetin
Registered number	08134141
Registered office	33 Cavendish Square London England W1G 0PW
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2020

Introduction

The directors present the strategic report for the "the group", comprising Epayments Systems Limited ("the company") and Epayments Technologies LLC ("the subsidiary") for the year ended 30 April 2020.

Business review

Epayments Systems Limited ("the company") is an electronic payment service provider that was founded in 2011 and now with customers in more than 190 countries from various sectors of the e-Commerce marketplace and internet business. 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.

The company is a principal issuer of MasterCard® cards. The company also has a PSI DSS compliant license. This license 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, the company was subject to a routine supervision review by the Financial Conduct Authority ("FCA"). As a result of the FCA's findings, the company agreed to be subject to a Voluntary Application for Requirement ("VREQ") in February 2020. The VREQ 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. In view of the timing, the effects of the VREQ on the results for the year to April 2020 were limited, and will have a greater effect on the results for the year to April 2021 and in the subsequent period to the date of this report. In December 2021 the FCA and the company agreed a process for a phased return to business as usual activities. The impact of the VREQ and its release in December 2021 is set out in more detail below, and within the principal risks and uncertainties section on pages 4 - 6.

During the year ended 30 April 2020, the company provided exchange rate services, managed E-wallet accounts and prepaid MasterCard® cards on behalf of its customers. This generated turnover amounting to £23,901,467 (2019: £27,911,975). The group generated a profit for the year of £2,504,762 (2019: £8,517,435). Shareholders' funds at the balance sheet date were £9,397,254 (2019: £6,892,492). Interim dividends have not been paid or distributed this year (2019: interim dividends totalling £7,323,512 were paid and were distributed in respect to both the year ended 30 April 2019 (£4,765,080) and the year ended 30 April 2018 (£2,558,432)).

Up to the point of the VREQ, the group experienced a strong financial year with a significant growth in both turnover and profit. This revenue growth had been led by increases in the number of clients being served by the group and the number of transactions executed. The growth in total turnover had also been driven by the launch of new products and introduction of new product features.

Epayments Technology LLC was incorporated in the prior year on 25 April 2018 to provide software development support to Epayments System Limited.

As a result of the VREQ, during and since the year end, 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 compliance related oversight activities.

The aforementioned work has improved the group's operational capabilities, and resilience, meaning it is prepared for the next steps. The focus of the work post year end has been on remediation, and preparing for a return to business as usual. 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.

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2020

The company also commissioned an audit of the firm's compliance with the safeguarding requirements of the Electronic Money Regulations for the year ended 30 September 2020, which identified a number of breaches, which are in the process of being remediated.

The company is also in discussion to resume banking relationships as part of the VREQ process, to enable repayment of funds where requested, and in addition to seek new banking partners going forward. The business is also in discussion to put insurance cover in place as part of the phased return to business as usual.

As a result of the VREQ, the company has incurred losses of around £18.6m in the post year end period, comprising significant expenditure on professional fees and also from the absence of revenues pending exit from the VREQ. The losses have been funded by accumulated reserves, the issue of £12.5m of new share capital and continued shareholder support.

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:

	2020	2019
Revenue, £'000	23,901	27,912
Gross profit, £'000	15,155	18,341
Gross profit margin	63%	66%
E-wallet accounts	254,839	744,788
Prepaid cards issued	79,633	75,050

During the financial year, the number of E-wallet accounts open with the group decreased by 66% whilst the number of prepaid cards issued by the group increased by 6%.

In November 2019, Epayments Systems Limited re-developed and updated the "Customer status" model. Prior to then, two customer classifications statuses were treated as active accounts. After the "Customer status" model approach had been reviewed and updated, these accounts were no longer included in the count of approved and active accounts, leading to the significant reduction in the number of open accounts noted this year.

E-wallet accounts
The number of E-wallets is a count of active customers registered with ePayments system as at 30 April 2020.

Prepaid cards issued
The number of prepaid cards issued is a count of active ePayments Prepaid MasterCard® cards issued as at 30 April 2020.

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2020

Principal risks and uncertainties

The principal risk for the business is being able to successfully navigate the exit from the VREQ process, returning to business as usual activities, rebuilding its reputation and returning to a growth proposition. Significant investment has been provided by the shareholder amounting to additional equity of £12,509,376 at the date of this report, aligned to significant efforts by the business to address the weaknesses identified, and in addition, taking substantial steps to enhance its governance, its broader operational capabilities and its operational resilience.

As we write this report, the directors have recently received confirmation from the FCA that the business can start a phased return to business as usual ("BAU") once certain prerequisites have been completed. The return to BAU will take place with oversight for both existing and then new customer cohorts. The initial phases of the return to BAU will be monitored, and the business will continue to liaise with the FCA to show that the company has successfully implemented a robust AML control framework that is effective in a BAU environment. It is envisaged that this process will take up to 12 weeks, and upon successful completion, the business will be subject to the standard regulatory framework. The review process will monitor any non-material and material issues that arise, which could lead to further reviews being undertaken by the FCA, and an extension to the time frame, with the FCA reserving the right to change its approach and use other necessary supervisory tools as appropriate. The phased return to BAU is also based on the assumption that the company continues to hold sufficient capital and liquidity.

Going concern
The directors have considered their expectations and intentions, and the availability of group and shareholder support for at least one year from the date of approval of the financial statements. At the time of approving the financial statements the directors have received confirmation that the ultimate controlling party will continue to provide financial support to the company. While the trading restrictions have now been lifted, there remain material uncertainties with respect to the principal uncertainties highlighted above, the ongoing impact of the pandemic, the uncertainty surrounding the quantification of any potential claims from existing customers, and with regards to the level of group financial resources available. Nevertheless, based on current forecasts, the directors and shareholder believe the group has adequate resources to support the company and therefore continue to adopt the going concern basis in the preparation of these financial statements.

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.

Market risk
The company is exposed to market risks. Market risks arise from changes in open positions in interest rate, currency and equity financial instruments. The Management team monitors the risk of adverse price changes and interest rates. The company incurs foreign currency risk on turnover, purchases and borrowings that are denominated in a currency other than the functional currency of the company. The Management team regularly monitors exchange rates and market forecast exchange rates, as well as preparing budgets for the long, medium and short term.

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 system may be subject to

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damage via its interruption from power loss, technical failures, computer viruses, cyber attacks 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. The company is seeking to resume and secure new banking facilities as the business exits from the VREQ.

The company is in active discussions with a number of financial institutions to add to the existing banking facilities. This will enable the firm to de-risk the reliance on existing partnerships, as it returns to business as usual, and to support its growth ambitions. Existing banking partners have been and continue to support the business with refunds, but it is noted that one of the partners has indicated it is seeking to withdraw from the e-commerce sector for all its existing clients.

Regulatory risk
The group, 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 and beyond, 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, and rebuild going forward.

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 company 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.

The company continues to retain professional advice and support in relation to these matters, as part of the VREQ process and has established an internal audit process to further monitor and enhance the control environment.

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 lifting of restrictions under the VREQ.

Principal uncertainties
The principal uncertainties comprise:
- the group's ability to achieve the 2021-2025 business plan;
- regaining traction with customers who have been prevented from trading with the group whilst it has been subject to the VREQ;
- seeking strong and secure banking relationships that will support the business plan growth ambitions; and
- resolving potential reputational damage caused by the VREQ and the time it has taken to fully resolve the issues.

Brexit
The company also faces uncertainties as a result of Brexit, with the UK now not part of the EU, having completed the Transition Period, and having agreed a deal with the EU as ratified by the EU and UK Parliaments on the 30 December 2020. 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.

EPAYMENTS SYSTEMS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2020

Development and performance

The focus of the group remains that of attaining global leadership in the electronic payments market, ensuring it meets the emerging needs of the e-Commerce and digital economies in the market sectors that it chooses to operate within. The achievement of this goal is supported by the following:

- a committed shareholder aligned to the ambition of the business;
- significant experience and motivation of the senior management and employees of the group to succeed;
- deep understanding of the needs of the market; quality products designed to meet those needs; commitment to continuous improvement of the products; excellent customer service ethos; and
- the implementation of a full range of services.

The company plans to further develop their presence around the world attracting new individual users and business customers, with a particular focus on three core markets - the Features driven e-Commerce Market e.g., Amazon sellers, the Platforms driven Market, e.g., influencers and their followers, and the Affiliate Market place. The development of the Platforms capability is one of the main future plans of the group in the coming years. For entering new markets, the company will create a specific set of services and infrastructure to meet the needs of users in that market place.

The directors believe the company is well placed to take advantage of the opportunities that present themselves, and look forward to a successful future.

The directors have carefully considered the principal uncertainties in the context of the current position of the business, and consider that while material uncertainties remain, based on the previously mentioned enhancements and improvements, including the support from the shareholder, support received from a significant proportion of its customers, significant improvements in compliance, the projections for the business being based on conservative assumptions, including stress testing those projections, that the firm is well positioned to move forward with some confidence.

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

Elena Arbuzova

E Arbuzova
Director

Date: 20/1/2022

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2020

The directors present their report and the financial statements for the year ended 30 April 2020.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £2,504,762 (2019 - £8,517,435).

The directors do not recommend a dividend.

Directors

The directors who served during the year were:

M Rymanov
E Arbuzova (appointed 25 November 2019)
R E Courtneidge (resigned 17 February 2020)

Subsequent to the year end, M Rymanov resigned as director on 31 December 2020. A Fetin was appointed as a non-executive director on 9 September 2020.

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

The Covid-19 outbreak has been developing worldwide since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused volatility in financial markets and extensive disruption in supply chains and working practices. As a repercussion it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown.

The Covid-19 outbreak is considered as a non- adjusting balance sheet event. As the trading restriction imposed by the FCA was initiated in February 2020, the true impact of the global outbreak on the group is unknown. The directors expect that the outbreak would have impacted the financial performance of the group through decreasing turnover and gross profit as a result of potential reduced cardholder spend patterns and trading.

At the time of signing the accounts the FCA has confirmed that the business can start a phased return to business as usual; this is explained in more detail on page 4.

Subsequent to the year end, the company raised additional share capital: of £2,851,853 on 15 October 2020; £859,450 on 17 March 2021, £1,456,800 on 26 August 2021 and £1,500,000 on 17 December 2021, all by way

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2020

of capitalisation of intercompany loan balances; and subsequent issues of shares for cash consideration comprising: £1,780,000 on 29 April 2021, £2,934,879 on 5 October 2021 and £1,126,394 on 20 December 2021. The total new share capital raised after the year end is therefore £12,509,376.

Subsequent to the year end there has been a release of the deposit held by MasterCard of £4,927,797, included within other debtors falling due after more than one year, improving the company's cash position by that amount.

Subsequent to the year end, certain safeguarded balances were transferred to segregated bank accounts with approved regulated financial institutions. Such safeguarded balances held at 30 April 2020 amounted to £43,994,428.

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

Elena Arbuzova

E Arbuzova
Director

Date: 20/1/2022

EPAYMENTS SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020

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 2020

Opinion

We have audited the financial statements of Epayments Systems Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2020, which comprise the group profit and loss account, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, 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 2020 and of the group's profit 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

In February 2020, Epayments Systems Limited agreed to be subject to a Voluntary Application for Requirement ("VREQ") following a routine supervision visit by the Financial Conduct Authority ("FCA") in December 2019. 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 FCA review identified areas of non-compliance with the FCA rulebook and requested the company to undertake a process to remediate and enhance compliance as a condition of exit from the VREQ. The FCA regulatory framework is integral to the company's business operations. The FCA and the company have now agreed a process for a phased return to business as usual, which is set out in more detail on page 4 of the financial statements.

Material uncertainty related to going concern

We draw attention to the Emphasis of matter section above and note 2.3 in the financial statements, which indicates that that the company agreed to be subject to a VREQ. 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. In December 2021 the FCA and the company agreed a process for a phased return to business as usual activities. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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 set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Blick Rothenberg Audit LLP

Simon Mayston (senior statutory auditor)

for and on behalf of
Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 24/01/2022

EPAYMENTS SYSTEMS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020 £	2019 £
Turnover	4	**23,901,467**	27,911,975
Cost of sales		**(8,746,193)**	(9,570,145)
Gross profit		**15,155,274**	18,341,830
Administrative expenses		**(13,423,030)**	(9,103,902)
Operating profit	5	**1,732,244**	9,237,928
Interest receivable and similar income	8	**975,135**	970,138
Interest payable and similar expenses	9	**(20,108)**	(33,939)
Profit before tax		**2,687,271**	10,174,127
Tax on profit	10	**(182,509)**	(1,656,692)
Profit for the financial year		**2,504,762**	8,517,435
Profit for the year attributable to:			
Owners of the parent		**2,504,762**	8,517,435
		2,504,762	8,517,435

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.

REGISTERED NUMBER:08134141

EPAYMENTS SYSTEMS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2020

	Note		2020 £		2019 £
Fixed assets					
Tangible assets	12		**168,069**		124,231
Current assets					
Debtors: amounts falling due after more than one year	14	**6,570,708**		5,840,161	
Debtors: amounts falling due within one year	14	**2,463,958**		2,513,364	
Segregated cash and cash equivalent deposits	15	**66,234,199**		85,771,155	
Segregated investments and interest bearing securities	15	**43,994,428**		41,653,638	
Cash and cash equivalents	16	**3,849,923**		3,279,026	
		123,113,216		139,057,344	
Creditors: amounts falling due within one year					
Taxation and social security		**(46,148)**		(477,339)	
E-money float	15	**(110,228,627)**		(124,987,523)	
Other creditors	17	**(3,596,352)**		(6,810,530)	
Net current assets			**9,242,089**		6,781,952
Total assets less current liabilities			**9,410,158**		6,906,183
Provisions for liabilities					
Deferred taxation	18		**(12,904)**		(13,691)
Net assets			**9,397,254**		6,892,492
Capital and reserves					
Called up share capital	22		**319,804**		319,804
Profit and loss account	23		**9,077,450**		6,572,688
Total equity			**9,397,254**		6,892,492

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

Elena Arbuzova

E Arbuzova
Director

Date: 20/1/2022

The notes on pages 22 to 42 form part of these financial statements.

REGISTERED NUMBER:08134141

EPAYMENTS SYSTEMS LIMITED

COMPANY BALANCE SHEET
AS AT 30 APRIL 2020

	Note		2020 £		2019 £
Fixed assets					
Tangible assets	12		**75,907**		80,539
Investments	13		**119**		119
			76,026		80,658
Current assets					
Debtors: amounts falling due after more than one year	14	**6,570,708**		5,840,161	
Debtors: amounts falling due within one year	14	**2,429,117**		2,513,364	
Segregated cash and cash equivalent deposits	15	**66,234,199**		85,771,155	
Segregated investments and interest bearing securities	15	**43,994,428**		41,653,638	
Cash and cash equivalents	16	**3,726,430**		3,257,462	
		122,954,882		139,035,780	
Creditors: amounts falling due within one year					
Taxation and social security		**(27,677)**		(465,931)	
E-money float	15	**(110,228,627)**		(124,987,523)	
Other creditors	17	**(4,636,582)**		(7,153,487)	
Net current assets			**8,061,996**		6,428,839
Total assets less current liabilities			**8,138,022**		6,509,497
Provisions for liabilities					
Deferred taxation	18		**(12,904)**		(13,691)
Net assets			**8,125,118**		6,495,806
Capital and reserves					
Called up share capital	22		**319,804**		319,804
Profit and loss account	23		**7,805,314**		6,176,002
Total equity			**8,125,118**		6,495,806

EPAYMENTS SYSTEMS LIMITED

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 APRIL 2020

The company's net profit after tax for the year was £1,629,312 (2019: £8,120,749).

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

E Arbuzova
Director

Elena Arbuzova

Date: 20/1/2022

The notes on pages 22 to 42 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 May 2018	319,804	5,378,765	5,698,569
Profit for the year	-	8,517,435	8,517,435
Dividends	-	(7,323,512)	(7,323,512)
At 1 May 2019	**319,804**	**6,572,688**	**6,892,492**
Profit for the year	-	2,504,762	2,504,762
At 30 April 2020	**319,804**	**9,077,450**	**9,397,254**

The notes on pages 22 to 42 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 May 2018	319,804	5,378,765	5,698,569
Profit for the year	-	8,120,749	8,120,749
Dividends	-	(7,323,512)	(7,323,512)
At 1 May 2019	**319,804**	**6,176,002**	**6,495,806**
Profit for the year	-	1,629,312	1,629,312
At 30 April 2020	**319,804**	**7,805,314**	**8,125,118**

The notes on pages 22 to 42 form part of these financial statements.

EPAYMENTS SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	**2,504,762**	8,517,435
Adjustments for:		
Depreciation of tangible assets	**67,771**	24,521
Interest paid	**20,108**	33,939
Interest received	**(975,135)**	(970,138)
Taxation charge	**182,509**	1,656,692
Decrease/(increase) in debtors	**562,805**	(234,283)
(Decrease) in creditors	**(3,168,239)**	(1,212,524)
Corporation tax (paid)	**(1,708,429)**	(2,148,512)
Foreign exchange	**8,692**	(273,992)
Net cash used in operating activities	**(2,505,156)**	5,393,138
Cash flows from investing activities		
Purchase of tangible fixed assets	**(111,610)**	(117,684)
New loans to group undertakings	**(50,251)**	-
Other loans advanced	**(1,096,868)**	(395,909)
Other loans repaid	**962,744**	398,412
Interest received	**975,135**	970,138
Net cash from investing activities	**679,150**	854,957
Cash flows from financing activities		
Repayments from borrowings	**-**	(1,047,288)
New loans from group undertakings	**4,293,716**	-
Loans from group undertakings repaid	**(1,868,013)**	-
Dividends paid to equity shareholders	**-**	(7,323,512)
Interest paid	**(20,108)**	(33,939)
Net cash generated by/(used in) financing activities	**2,405,595**	(8,404,739)
Net increase/(decrease) in cash and cash equivalents	**579,589**	(2,156,644)

EPAYMENTS SYSTEMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2020

	2020 £	2019 £
Cash and cash equivalents at beginning of year	**3,279,026**	5,161,678
Foreign exchange gains and losses	**(8,692)**	273,992
Cash and cash equivalents at the end of year	**3,849,923**	3,279,026
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**3,849,923**	3,279,026
	3,849,923	3,279,026

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 33 Cavendish Square, London, W1G 0PW.

The group consists of Epayments Systems Limited and its subsidiary Epayments Technology 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 (ie 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 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used 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.

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

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 period from its acquisition. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

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, not 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. This has had a small effect on the group's results for the year ended 30 April 2020, but will have a more significant effect for the group's results for 2021 and in the period to the date of this report. 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. As the group returns back to 'business as usual' from December 2021, the steps the group has taken will position it in the best place possible to mitigate the principal uncertainties that it currently faces.The FCA and the company have now agreed a process for a phased return to business as usual, which is set out in more detail on page 4 of the financial statements and also in note 24.

The principal uncertainties relate to the group's ability to achieve the 2021-2025 business plan; regaining traction with customers who have been prevented from trading with the group whilst it has been subject to the VREQ; re-establishing strong and secure banking relationship that will support the business plan growth ambitions; and resolving potential reputational damage caused by the VREQ and the time it has taken to fully resolve the issues.

Furthermore in March 2020 the World Health Organisation declared the Coronavirus outbreak to be a pandemic. Due to the FCA trading restriction being imposed before the pandemic, it has not been possible to accurately assess the financial impact on the group's customers and therefore the effect that the pandemic would have on the group's financial results. However, what has been clear through the pandemic is the increased use of internet trading around the world more generally, and the need for e-money based services to support that sector. This is expected to continue, and therefore the directors remain cautious that the pandemic will not have a long term negative impact on the group as it returns to business as usual.

The group has invested significantly in improving systems, processes, procedures, controls, governance, people and compliance related oversight. The directors have carefully considered the principal uncertainties in the context of the current position of the business, and consider that while significant uncertainties remain, based on the investments made to improve systems and controls, the support of the shareholder, the support received from a significant proportion of its customers, significant improvements in compliance, the projections for the business based on conservative assumptions, including stress testing those projections, that the firm is well positioned to move forward. The shareholder has provided funding for such investments in the post year end period, by the issue of share capital and the capitalisation of loans, amounting to £12,509,376 (refer to note 27 for further details.)

The directors have considered their expectations and intentions, and the availability of group and shareholder finance and support for at least one year from the date of approval of the financial statements. At the time of approving the financial statements the directors have received

2. Accounting policies (continued)

2.3 Going concern (continued)

confirmation that the ultimate controlling party will continue to provide financial support to the company. While there is now a phased return to business as usual, there remain material uncertainties with respect to the principal uncertainties highlighted, the ongoing impact of the pandemic, the uncertainty surrounding the quantification of any potential claims from existing customers, and with regards to the level of group financial resources available. Nevertheless, based on current forecasts, the directors believe the group has adequate resources to support the company and therefore continue to adopt the going concern basis in the preparation of these financial statements.

2.4 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 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.

2.5 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

2. Accounting policies (continued)

2.5 Foreign currency translation (continued)

assets at opening rate and the results of overseas operations at actual rate are recognised in the profit and loss account for the period.

2.6 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.

2.7 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.

2.8 Interest income

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

2.9 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.

2.10 Borrowing costs

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

2.11 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.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

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2. Accounting policies (continued)

2.11 Current and deferred taxation (continued)

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.

2.12 Tangible fixed assets

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

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.

2.13 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. Accounting policies (continued)

2.14 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.

2.15 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 customer deposits liabilities. The bank deposits are not available liquidity for the group's operational payment obligations.

2.16 Segregated investments and interest bearing securities

Segregated investments represent balances which are safeguarded in accordance with the Financial Conduct Authority regulations relating to the customer deposits liabilities. These balances are invested in secure, low risk liquid assets with an authorized custodian and are not available liquidity for the group's operational payment obligations.

2.17 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.

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

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2. Accounting policies (continued)

2.18 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 interest that is not a market rate.

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

2. Accounting policies (continued)

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.

2.19 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 shareholders 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.

Judgements

In the process of applying the company's accounting policies, management has made the following judgements which have significant effect on the amounts recognised in the financial statements:

Client assets and liabilities

The company holds assets on behalf of its customers totaling £110,228,627 (2019: £127,424,793). The company manages client 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. Please refer to notes 15 and 16.

4. Turnover

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

	2020	2019
	£	£
Mastercard program revenue	**5,850,659**	7,501,733
Currency exchange revenue	**6,746,283**	8,434,886
Commissions	**11,304,525**	11,975,356
	23,901,467	27,911,975

Analysis of turnover by country of destination:

	2020	2019
	£	£
United Kingdom	**1,568,805**	1,596,517
Rest of Europe	**18,069,477**	21,328,464
Rest of the world	**4,263,185**	4,986,994
	23,901,467	27,911,975

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	£	£
Exchange differences	**8,692**	(273,992)
Fees payable to the group's auditor for the audit of the company's financial statement	**134,901**	39,256
Fees payable to the group's auditor for non-audit services	**12,650**	11,900
Depreciation of owned tangible assets	**67,771**	24,521
Other operating lease rentals	**595,066**	236,136

6. Employees

Staff costs were as follows:

	Group 2020	Group 2019
	£	£
Wages and salaries	**2,305,138**	710,412
Social security costs	**271,509**	90,485
Pension costs	**2,816**	874
	2,579,463	801,771

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

	2020	2019
	No.	No.
Compliance	**2**	2
Management	**3**	2
Administrative and HR	**5**	1
IT	**71**	24
Quality control	**20**	7
Marketing	**3**	-
Partner relations	**1**	-
	105	36

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	**99,665**	38,215

8. Interest receivable and similar income

	2020 £	2019 £
Interest on bank deposits	**123,832**	84,971
Other interest receivable	**851,303**	885,167
	975,135	970,138

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss £123,832 (2019: £84,971).

9. *Interest payable and similar expenses*

	2020 £	2019 £
Interest payable to group undertakings	**20,108**	33,939

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	**325,141**	1,805,936
Adjustments in respect of previous periods	**(141,845)**	(162,935)
Total current tax	**183,296**	1,643,001
Deferred tax		
Origination and reversal of timing differences	**(787)**	13,691
Taxation on profit on ordinary activities	**182,509**	1,656,692

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	**2,687,271**	10,174,127
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**510,581**	1,933,084
Effects of:		
Expenses not deductible for tax purposes	**168**	9,167
Adjustments to tax charge in respect of prior periods	**(141,845)**	(162,935)
Other permanent differences	**(20,161)**	(9,173)
Movement on deferred tax	**(787)**	13,691
Foreign exchange differences	**888**	(51,771)
Overseas tax relief for subsidiary	**(166,335)**	(75,371)
Total tax charge for the year	**182,509**	1,656,692

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.

As the proposal to increase the rate had not been substantively enacted at the balance sheet date, its effects on the measurement of deferred tax that had been remeasured at the previously enacted 19% rate, has not been included in these financial statements.

The directors expect that losses incurred since the balance sheet date will reduce any tax liability for the immediate future.

11. Dividends

	2020 £	2019 £
Final paid	**-**	7,323,512

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

12. Tangible fixed assets

Group

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 May 2019	45,949	47,483	55,545	148,977
Additions	32,760	78,848	-	111,608
At 30 April 2020	**78,709**	**126,331**	**55,545**	**260,585**
Depreciation				
At 1 May 2019	7,504	6,636	10,606	24,746
Charge for the year on owned assets	12,838	36,877	18,055	67,770
At 30 April 2020	**20,342**	**43,513**	**28,661**	**92,516**
Net book value				
At 30 April 2020	**58,367**	**82,818**	**26,884**	**168,069**
At 30 April 2019	38,445	40,847	44,939	124,231

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020

12. Tangible fixed assets (continued)

Company

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 May 2019	33,435	10,132	55,545	99,112
Additions	15,326	12,570	-	27,896
At 30 April 2020	**48,761**	**22,702**	**55,545**	**127,008**
Depreciation				
At 1 May 2019	6,694	1,273	10,606	18,573
Charge for the year on owned assets	8,306	6,167	18,055	32,528
At 30 April 2020	**15,000**	**7,440**	**28,661**	**51,101**
Net book value				
At 30 April 2020	**33,761**	**15,262**	**26,884**	**75,907**
At 30 April 2019	26,741	8,859	44,939	80,539

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 May 2019 and 30 April 2020	**119**

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Epayments Technologies LLC	Moscow, Russia	Ordinary	100%

14. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Other debtors	**6,570,708**	5,840,161	**6,570,708**	5,840,161

Other debtors in 2020 and 2019 include prepayments to MasterCard of £6,103,529 (2019: £5,840,161) to cover future MasterCard transactions.

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due within one year				
Trade debtors	**22,481**	-	**22,481**	-
Amounts owed by group undertakings	**134,734**	59,690	**134,734**	59,690
Amounts owed by joint ventures and associated undertakings	**129,254**	-	**129,254**	-
Other debtors	**33,519**	745,710	**33,519**	745,710
Prepayments and accrued income	**1,084,399**	1,707,964	**1,049,558**	1,707,964
Tax recoverable	**1,059,571**	-	**1,059,571**	-
	2,463,958	2,513,364	**2,429,117**	2,513,364

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

14. Debtors (continued)

Included in debtors falling due within one year are prepayments to MasterCard of £nil (2019: £1,667,480) to cover future MasterCard transactions.

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) in excess of 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 2020	Group 2019	**Company 2020**	Company 2019
	£	£	**£**	£
FCA regulatory capital requirements	**2,512,611**	2,526,724	**2,512,611**	2,526,724
Regulatory own funds	**8,125,118**	6,495,806	**8,125,118**	6,495,806

For the years ended 30 April 2020 and 30 April 2019 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:

	Group 2020	Group 2019	**Company 2020**	Company 2019
	£	£	**£**	£
Qualifying liquid assets	**120,058,586**	138,189,896	**120,058,586**	138,189,896
E-money float	**110,228,627**	124,987,523	**110,228,627**	124,987,523

Segregated investments & cash held on behalf of clients - continued

Group and Company:

	Group 2020 £	Group 2019 £	**Company 2020** £	Company 2019 £
Investments held in custody by an EEA authorised investment firm	**43,994,428**	41,653,638	**43,994,428**	41,653,638
Segregated bank accounts within the EEA	**66,234,199**	85,771,155	**66,234,199**	85,771,155
	110,228,627	127,424,793	**110,228,627**	127,424,793
E-money float	**110,228,627**	124,987,523	**110,228,627**	124,987,523
Other creditors	**-**	2,437,270	**-**	2,437,270
	110,228,627	127,424,793	**110,228,627**	127,424,793

The company manages client funds that are held as cash in segregated bank accounts or as investments ("Client Funds"). These Client Funds are held in accordance with Electronic Money Regulations 2011 of the Financial Conduct Authority (firm number 900172). The corresponding liabilities arising from e-money issued is recognised in the Balance Sheet as Short Term Liabilities as the e-money can be redeemed at any time. Epayment Systems Limited does not have rights or control to disburse the Client Funds unless it is acting in accordance with instructions received from its customers.

The unlisted investments are held within short term liquid USD bonds held by the company. The unexpired bonds have maturity dates that meet the Financial Conduct Authority's definition of a qualifying liquid asset.

Subsequent to the year end, certain safeguarded balances were transferred to segregated bank accounts with approved regulated financial institutions. Such safeguarded balances held at 30 April 2020 amounted to £43,994,428.

16. Cash at bank and in hand

	Group 2020 £	Group 2019 £	**Company 2020** £	Company 2019 £
Cash at bank and in hand	**3,849,923**	3,279,026	**3,726,430**	3,257,462

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

17. Other creditors falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	**178,174**	37,226	**174,799**	62,564
Amounts owed to group undertakings	**2,889,562**	1,256,355	**4,028,929**	1,606,850
Other creditors	**528,616**	5,516,949	**432,854**	5,484,073
	3,596,352	6,810,530	**4,636,582**	7,153,487

Included within amounts owed to group undertakings are loans amounting to £2,000,403 (2019: £Nil) bearing an interest of 1% per annum and are repayable between June and August 2020. After the year end the repayment date for the loans was extended to 2021.

18. Deferred taxation

Group

	2020 £
At beginning of year	**(13,691)**
Charged to profit or loss	**787**
At end of year	**(12,904)**

Company

	2020 £
At beginning of year	**(13,691)**
Charged to profit or loss	**787**
At end of year	**(12,904)**

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	**(12,904)**	(13,691)	**(12,904)**	(13,691)

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

19. Defined contribution schemes

	2020	2019
	£	£
Charge to profit or loss in respect of defined contribution schemes	**2,816**	874

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.

20. Financial instruments

	Group 2020	Group 2019	Company 2020	Company 2019
	£	£	£	£
Financial assets				
Debt instruments measured at amortised cost	**6,890,696**	6,645,561	**6,890,696**	6,645,561
Financial liabilities				
Measured at amortised cost	**3,346,910**	3,734,844	**4,482,900**	4,106,803

Financial instruments exclude all client balances.

21. Analysis of net funds

	At 1 May 2019	Cash flows	At 30 April 2020
	£	£	£
Cash at bank and in hand	3,279,026	570,897	3,849,923
Debt due within 1 year	-	(2,000,403)	(2,000,403)
	3,279,026	(1,429,506)	1,849,520

The analysis of net funds excludes all client balances.

22. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
319,804 ordinary shares of £1 each	**319,804**	319,804

EPAYMENTS SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020

23. Reserves

Profit and loss account

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

24. Post balance sheet events

The Covid-19 outbreak since the latter part of 2019 has been declared a global pandemic since initially emerging in China. In addition to the loss of life it has caused volatility in the travel industry, financial markets and extensive disruption in supply chains and working practices. As a repercussion it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown.

The Covid-19 outbreak is considered as a non- adjusting balance sheet event. As the trading restriction imposed by the FCA was initiated in February 2020, the true impact of the global outbreak on the group is unknown. The directors expect that the outbreak would have impacted the financial performance of the group through decreasing turnover and gross profit as a result of potential reduced cardholder spend patterns and trading.

At the time of signing the accounts the FCA has granted permission to the group to initiate refunds to all customers. In the period post year end to date the group has processed customer refunds of £14.055m.

The directors expect that the interventions made by the government to provide support to individuals and businesses will reduce the impact of Covid-19 and while the impact is currently not known, the directors are confident that the company will be able to maintain its regulatory capital requirements.

Subsequent to the year end, the company raised additional share capital: of £2,851,853 on 15 October 2020; £859,450 on 17 March 2021, £1,456,800 on 26 August 2021 and £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: £1,780,000 on 29 April 2021, £2,934,879 on 5 October 2021 and £1,126,394 on 20 December 2021. The total new share capital raised after the year end is therefore £12,509,376.

Subsequent to the year end there has been a release of the deposit held by MasterCard of £4,927,797, included within other debtors falling due after more than one year, improving the company's cash position by that amount.

Subsequent to the year end, certain safeguarded balances were transferred to segregated bank accounts with approved regulated financial institutions.

As we write this report, the directors have recently received confirmation from the FCA that the business can start a phased return to business as usual ("BAU") once certain prerequisites have been completed. The return to BAU will take place with oversight for both existing and then new customer cohorts. The initial phases of the return to BAU will be monitored, and the business will continue to liaise with the FCA to show that the company has successfully implemented a robust AML control framework that is effective in a BAU environment. It is envisaged that this process will take up to 12 weeks, and upon successful completion, the business will be subject to the standard regulatory framework. The review process will monitor any non-material and material issues that arise, which could lead to further reviews being undertaken by the FCA, and an extension to the time frame, with the FCA reserving the right to change its approach and use other necessary supervisory tools as appropriate. The phased return to BAU is also based on the assumption that the company continues to hold sufficient capital and liquidity.

25. Related party transactions

During the financial year Epayments Systems Limited received loans from a company that is owned and controlled by the group's ultimate shareholder. The balance of the loans received which is outstanding at the reporting date is £2,000,403 including accrued interest of £16,278 (2019: £Nil)

During the year, Epayments Systems Limited provided short term loans to companies controlled by a director totalling £1,096,868 (2019: £395,909) of which £129,254 was still outstanding at the year end. Total interest received in the year was £4,599 (2019: £3,588) of which £7,967 (2019: £3,588) was accrued.

A balance of £133,365 owed by a company under common control was written off as a bad debt in the year.

During the year, expenses of £73,733 (2019: £118,568) were paid by Epayments Systems Limited on behalf of a company controlled by a director. £Nil (2019: £118,568) was still outstanding as at the year end.

During the year, Epayments System Limited incurred expenses totalling £7,478,470 (2019: £5,882,350) for supporting services provided by a related company. Amounts owed as at year end was £700,274 (2019: £1,113,543).

Total group remuneration in respect of the key management personnel for the year was £407,527 (2019: £177,941).

26. Controlling party

The immediate and ultimate parent company is Epayments Holdings Limited, a company incorporated in Jersey, with a registered office address of 27 Esplanade St Helier Jersey, JE4 9XJ. Epayments Holdings Limited does not prepare consolidated financial statements. The ultimate controlling parties are the trustees of the EXIF Trust.