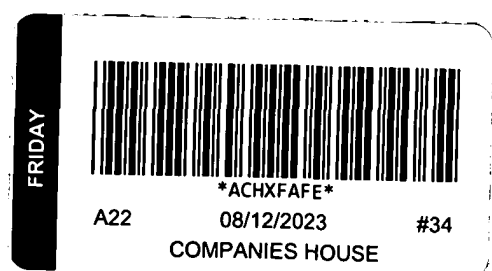

PAYRNET LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



PAYRNET LIMITED

COMPANY INFORMATION

Directors	S Couttie L M Murray J D Morris (resigned 25 May 2023) N G S Verdon (resigned 9 March 2023)
Registered number	09883437
Registered office	Montacute Yards Shoreditch High Street London E1 6HU
Independent auditors	BKL Audit LLP Chartered Accountants & Statutory Auditor 35 Ballards Lane London N3 1XW

PAYRNET LIMITED

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PAYRNET LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

Payrnet Ltd ("the Company") is a private company limited by share capital, incorporated and domiciled in the United Kingdom. The Company is a wholly owned subsidiary of Embedded Finance Limited and is regulated by the Financial Conduct Authority as an Electronic Money Institution. The directors' aim is to present a balanced and comprehensive review of the development and performance of the Company's business during the year and its position at the year end. The Review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the Company faces.

Business review

During the year the business growth accelerated through a combination of organic growth and acquisition. For the year of 2022 as a whole the business recorded total revenue of £8,865,915 (2021: £7,252,727) representing a 22% increase and concluded the year with issued eMoney balances of £429,763,423 (2021: £349,321,269).

On 9 March 2023 the parent of the Company, Railsbank Technology Limited, was put into administration and the Company was acquired by Embedded Finance Ltd. These financial statements do not reflect the operations as part of the Embedded Finance Ltd group.

Principal risks and uncertainties

The company is required to manage a broad array of risks including, but not limited to, technology risk, operational risk, and liquidity risk. The process of risk identification and management addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and on-going review by management. Compliance with regulation, legal and ethical standards is a high priority for the company, and the Board has put in place an appropriate governance structure to monitor this. The Company manages its liquidity through detailed cash flow forecasts; these include foreseeable revenue projections, normal recurring operational costs and known capital expenditure requirements. For 2022 the Railsbank Technology Limited group, of which the Company was a part of, had to monitor very closely the impact of the Covid-19 pandemic on its customer base, and quickly identify potential liquidity and other risks as markets reacted to prolonged lockdown and other isolation measures. The Company is working within a highly regulated industry; such regulation is felt through a network of compliance requirements from national regulators, payment schemes, card schemes and banking partners all of whom monitor closely the financial health of all market participants.

Financial key performance indicators

The Company concluded the year with a loss of £1,041,282 (2021: loss of £2,041,212) and total capital and reserves of £6,676,004 (2021: £2,624,441). On 9 March 2023 the parent of the Company Railsbank Technology Ltd was put into administration and the Company was acquired by Embedded Finance Ltd. As a consequence of this transaction fellow subsidiaries of Embedded Finance Ltd in Australia, Singapore, Germany and the United States were placed into administration.

Any debts owed by these group companies were deemed as uncollectible, and debts owed by them were deemed uncollectible generating an expense of £7,306,655 for 2022 (2021: £4,323,733).

Revenue:	£8,865,915 (2021: £7,252,727)
Gross Profit:	£7,847,480 (2021 profit: £5,018,603)
Gross Margin:	89% (2021: 69%)
Operating loss:	£1,142,493 (2021: £2,050,044)
Net loss:	£1,041,282 (2021: £2,041,212)

PAYRNET LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' statement of compliance with duty to promote the success of the Company

The directors of the group are aware of the requirement to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefits of its shareholders, customers, suppliers and other stakeholders. In considering this duty, the Directors considers the following stakeholders:

Shareholders

The Directors have regular contact with the shareholders in order to maximise the Group's long-term growth prospects.

Customers

The Directors prioritise compliance with regulation and best practice to ensure the funds of relevant clients are protected while ensuring each client's best interest are served in accordance with their risk appetite and commercial agreements.

Regulators

The Directors prioritise compliance with regulation and best practice to ensure the funds of clients are protected. The Directors work closely in partnership with regulators to ensure a strong working relationship and adequate capital controls.

Suppliers

The Company has various key supplier relationships which work more as a partnership to ensure the smooth running of the business.

The Environment

The Company is committed to minimising the environmental impacts of the business operations.

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

S Couttie

S Couttie
Director

Date: 13/11/2023

PAYRNET LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £1,041,282 (2021 - loss £2,041,212).

There were no dividends declared or paid during the year.

Directors

The directors who served during the year were:

S Couttie
L M Murray
J D Morris (resigned 25 May 2023)
N G S Verdon (resigned 9 March 2023)

Future developments

In 2023 the Company will continue strengthening its regulatory and commercial relationships seeking to move into a period of growth in 2024.

On 9 March 2023 the immediate parent company is now Embedded Finance Limited, a company registered in England and Wales. The registered office of the parent company is 15 Bowling Green Lane, London, England, EC1R 0BD.

PAYRNET LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

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

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

Post balance sheet events

During June 2023, the Company was issued a S166 notice by the Financial Conduct Authority, and the Company elected to undertake a Voluntary Restriction on its business (VREQ) thereby restricting its license. Whilst the restriction has minimal impact on the Company's current customer base and operations, the Company is prohibited from onboarding new clients. Under new management, the Company is in a remediation process with the FCA with the aim to remove the restriction in the near future.

On 9 March 2023 the parent of the Company Railsbank Technology Ltd was put into administration and the Company was acquired by Embedded Finance Ltd. As a consequence of this transaction a number of group companies were also placed into administration and debts owed by them were deemed uncollectible generating an expense of £7,306,655 for 2022 (2021: £4,323,733).

Auditors

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

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

S Couttie

S Couttie
Director

Date: 13/11/2023

PAYRNET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYRNET LIMITED

Opinion

We have audited the financial statements of PayrNet Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the 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).

Except for the possible effect of the matters described in the basis for qualified opinion section of our report, in our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its 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 qualified opinion

We were unable to satisfy ourselves at the assertion level with respect to the "completeness" and "valuation and allocation" of the Safeguarded Relevant Funds as at 31 December 2021, which was valued at £349,321,269 and included in the comparative figures of the Statement of Financial Position and comparative figures of Note 12 in these financial statements. Consequently, we were unable to determine whether any adjustments to the opening balances of the Safeguarded Relevant Funds were necessary. Our audit opinion on the financial statements for the period ended 31 December 2021 was modified accordingly.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

PAYRNET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYRNET LIMITED (CONTINUED)

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that during the year the Company was issued a S166 notice by the Financial Conduct Authority, and the Company elected to undertake a Voluntary Restriction on its business (VREQ) thereby restricting its license. Whilst the restriction has minimal impact on the Company's current customer base and operations, the Company is prohibited from onboarding new clients. Under new management, the Company is in a remediation process with the FCA with the aim to remove the restriction in the near future. In addition, in 2022 the Company's regulatory capital fell below the minimum required capital as mandated by the FCA. These events 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, but a material uncertainty exists.

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

Other information

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the Safeguarded relevant Funds of £349,321,269 held at 31 December 2021. We have concluded that where the other information refers to the comparative Segregated relevant Funds, it may be materially misstated for the same reason.

Opinion on other matters prescribed by the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, 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.

PAYRNET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYRNET LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, except for the matter described in the basis for qualified opinion section of our report, 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PAYRNET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYRNET LIMITED (CONTINUED)

Auditors' 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 Auditors' 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:

- Enquiring of management and those charged with governance around actual and potential litigation and claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Enquiring of company staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations.

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

PAYRNET LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYRNET LIMITED (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Auditors' 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.



Geeta Morgan FCA (Senior statutory auditor)

for and on behalf of

BKL Audit LLP

Chartered Accountants

Statutory Auditor

London

Date: 13/11/2023

PAYRNET LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	8,865,915	7,252,727
Cost of sales		(1,018,435)	(2,234,124)
Gross profit		7,847,480	5,018,603
Administrative expenses		(1,683,318)	(2,744,914)
Impairment of intercompany balances	5	(7,306,655)	(4,323,733)
Operating loss	6	(1,142,493)	(2,050,044)
Interest receivable and similar income		-	465
Interest payable and similar expenses		(4,635)	(8,751)
Loss before tax		(1,147,128)	(2,058,330)
Tax on loss	9	105,846	17,118
Loss for the financial year		(1,041,282)	(2,041,212)

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 15 to 28 form part of these financial statements.

PAYRNET LIMITED
REGISTERED NUMBER: 09883437

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	10	-	522,677
		-	522,677
Current assets			
Debtors: amounts falling due within one year	11	13,751,582	11,174,759
Safeguarded relevant funds held	12	429,763,423	349,321,269
Cash at bank and in hand	13	12,070,032	4,440,579
		455,585,037	364,936,607
Creditors: Amounts Falling Due Within One Year	14	(13,170,658)	(12,076,619)
Safeguarded relevant funds liability		(429,763,423)	(349,321,269)
Net current assets		12,650,956	3,538,719
Total assets less current liabilities		12,650,956	4,061,396
Creditors: Amounts Falling Due After More Than One Year		(5,974,952)	(1,331,109)
Provisions for liabilities			
Deferred tax	15	-	(105,846)
		-	(105,846)
Net assets		6,676,004	2,624,441
Capital and reserves			
Called up share capital	16	5,175	2,675
Share premium account	17	8,348,570	3,258,225
Profit and loss account	17	(1,677,741)	(636,459)
		6,676,004	2,624,441

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

S Couttie

S Couttie
Director

Date: 13/11/2023

The notes on pages 15 to 28 form part of these financial statements.

PAYRNET LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	1,350	609,550	1,404,753	2,015,653
Comprehensive income for the year				
Loss for the year	-	-	(2,041,212)	(2,041,212)
Total comprehensive income for the year	-	-	(2,041,212)	(2,041,212)
Contributions by and distributions to owners				
Shares issued during the year	1,325	2,648,675	-	2,650,000
At 1 January 2022	2,675	3,258,225	(636,459)	2,624,441
Comprehensive income for the year				
Loss for the year	-	-	(1,041,282)	(1,041,282)
Total comprehensive income for the year	-	-	(1,041,282)	(1,041,282)
Shares issued during the year	2,500	5,090,345	-	5,092,845
At 31 December 2022	5,175	8,348,570	(1,677,741)	6,676,004

The notes on pages 15 to 28 form part of these financial statements.

PAYRNET LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(1,041,282)	(2,041,212)
Adjustments for:		
Amortisation of intangible assets	98,440	172,500
Loss on disposal of tangible assets	(397,018)	-
Interest paid	4,635	8,751
Interest received	-	(465)
Taxation charge	(105,846)	(17,118)
Decrease in stocks	-	30,670
Decrease/(increase) in debtors	2,796,550	(7,736,988)
(Increase) in amounts owed by groups	(5,366,794)	(118,563)
Increase in creditors	14,549,744	2,521,694
(Decrease)/increase in amounts owed to groups	(8,817,589)	6,167,928
Increase/(decrease) in provisions	-	(48,000)
Net cash generated from operating activities	1,720,840	(1,060,803)
Cash flows from investing activities		
Sale of intangible assets	820,403	-
Sale of unlisted and other investments	-	10,647
Interest received	-	465
Net cash from investing activities	820,403	11,112

PAYRNET LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£	£
Cash flows from financing activities		
Issue of ordinary shares	5,092,845	2,650,000
Interest paid	(4,635)	(8,751)
Net cash used in financing activities	5,088,210	2,641,249
Net increase in cash and cash equivalents	7,629,453	1,591,558
Cash and cash equivalents at beginning of year	4,440,579	2,849,021
Cash and cash equivalents at the end of year	12,070,032	4,440,579
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	12,070,032	4,440,579
	12,070,032	4,440,579

The notes on pages 15 to 28 form part of these financial statements.

PAYRNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

The principal activity of Payrnet Limited ("The Company") is the provision of electronic money services.

The Company is a private company, limited by shares, and is incorporated in England and Wales.

The address of its registered office is Montacute Yards, Shoreditch High Street, London, E1 6HU and its principal place of business is Elm Yard, Elm Street, London, WC1X OBJ.

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 management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.2 Going concern

The financial statements are prepared on the going concern basis, which assumes that the Company will continue to trade for the foreseeable future, being at least twelve months from the date of approval of these financial statements.

Payrnet is currently going through a process of review with the Financial Conduct Authority ("FCA"). At the time of reporting, the Company's licence to operate has been restricted. The details of the restrictions are:

- The Firm must not onboard any agents or distributors without prior written consent from the FCA; and
- The Firm must place a statement in a prominent place on its website within 48 hours of these requirements taking effect stating that the Firm is currently unable to onboard any new agents or distributors.

Since the acquisition of Payrnet on 9 March 2023, meetings with the FCA have been constructive. In June 2023, the Company was presented with Voluntary Requirements (VREQ) covering:

- Implementing the findings from the skilled persons review, for which the Company is working to address the concerns raised in the reports
- The Company was also mandated to carry out an audit of their safeguarding of customer funds and work covering operational resilience and new Consumer Duty requirements. This work is ongoing.

Payrnet is also required to hold at least 2% of the average Safeguarded Relevant Funds. In 2022 the Company's capital fell behind the minimum level required.

As a result of the above, the Company has modelled the following possible scenarios:

Plan A

- New business delay following restriction on licence
- Loss of 3 major customers
- No budget upside
- A related entity of the group customers ported to Payrnet.

Plan B

- New Partner for EU licence
- New business delay following restriction on licence
- Loss of 3 major customers
- Revenue share arrangement with a new partner

Plan C

- Loss of EU licence without replacement
- No EU volumes
- New business delay following restriction on licence
- Loss of 3 major customers
- No Budget upside

Having considered these options, in both Plan A and Plan B, Management had positive cashflows

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.2 Going concern (continued)

beyond the lookout period, November 2024. Under Plan C, management stress would result in cash running out before November 2024. However, the management action would be the planned injection from the investors.

The directors acknowledge that there is uncertainty around the timing of when the restriction will be lifted and therefore the investors have committed to make additional capital injection of £6.9m (\$8.5m) and whatever it takes to support the business as a going concern.

The directors also believe that they will have sufficient capital to meet its safeguarding requirements into the future and so has forecasted the estimated position of capital throughout the lookout period to November 2024, which demonstrates that at no point will capital requirements be in breach of the FCA requirements.

The directors believe that the conversations with FCA have been constructive, and so most of the compliance and risk team are in the process of addressing the findings raised.

Despite the material uncertainties associated with the forecast assumptions, the directors believe that the investors are supportive of the proposed additional funding and have signed a comfort letter to Payrnet acknowledging this as a fact.

Therefore, the directors consider the use of the going concern basis appropriate.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.4 Turnover

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover comprises the commission earned on FX transactions, fees for provision of local and global payment services and agency services to clients. Commissions are recognised as soon as a contractual obligation to execute a transaction has been enacted with a customer. All revenues are net of VAT and other sales related taxes.

2.5 Operating leases: the Company as lessee

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.

2.6 Interest income

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

2.7 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.

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

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

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.10 Intangible assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Amortisation of intangible assets commences once the asset is ready for use.

Amortisation is provided on the following bases:

Computer Software	-	23 % straight line
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The assets' residual values, useful lives and amortisation 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.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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 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 Company's cash management.

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Company becomes aware of the obligation, and are measured at the best estimate at the reporting 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 Statement of financial position.

2.14 Financial instruments

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

(i) Financial assets

Basic financial assets, including trade and other debtors, and amounts due from related companies, 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.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

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) 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.

(ii) Financial liabilities

Basic financial liabilities, including the Safeguarded Relevant Funds liability, trade and other creditors and accruals, 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 receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 Financial instruments (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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.

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concern

As outlined in further detail in accounting policy note 2.2, going concern is considered to be a key judgement area due to (1) the assumption of the lifting of the S166 restriction and (2) the timing of future cashflows.

4. Turnover

All turnover arose within the United Kingdom.

5. Other operating expenses

	2022 £	2021 £
Impairment of intercompany debts	7,306,655	4,323,733
	<u>7,306,655</u>	<u>4,323,733</u>

PAYRNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Operating loss

The operating loss is stated after charging:

	2022	2021
	£	£
Amortisation	98,440	172,500
Exchange differences	(256,465)	693,968
Other operating lease rentals	-	11,423
	<u> </u>	<u> </u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2022	2021
	£	£
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	95,000	105,000
Fees payable to the Company's auditors and their associates in respect of:		
Audit-related assurance services	15,000	15,000
All non-audit services not included above	4,000	4,000
	<u> </u>	<u> </u>

8. Employees

Staff costs were as follows:

	2022	2021
	£	£
Wages and salaries	954,700	-
	<u>954,700</u>	<u>-</u>

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

	2022	2021
	No.	No.
Employees	4	5
	<u> </u>	<u> </u>

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation

	2022 £	2021 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(105,846)	(17,118)
Total deferred tax	(105,846)	(17,118)
Taxation on loss on ordinary activities	(105,846)	(17,118)

Factors affecting tax charge for the year

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

	2022 £	2021 £
Loss on ordinary activities before tax	(1,147,128)	(2,058,330)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(217,954)	(387,093)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	881	1,574
Capital allowances for year in excess of depreciation	18,704	32,775
Other timing differences leading to an increase (decrease) in taxation	(386,483)	-
Unrelieved tax losses carried forward	479,006	361,863
Deferred tax movement	-	(26,237)
Total tax charge for the year	(105,846)	(17,118)

Factors that may affect future tax charges

The UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The increase in the rate of UK corporation tax was enacted in the Finance Act 2021, which received Royal Assent on 10 June 2021.

PAYRNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Intangible assets

	Computer software £
At 1 January 2022	750,000
Disposals	(750,000)
At 31 December 2022	-
At 1 January 2022	227,323
Charge for the year on owned assets	99,292
On disposals	(326,615)
At 31 December 2022	-
Net book value	
At 31 December 2022	-
At 31 December 2021	522,677

11. Debtors

	2022 £	2021 £
Trade debtors	994,680	824,287
Amounts owed by group undertakings	5,771,246	414,612
Other debtors	6,980,673	9,917,584
Prepayments and accrued income	4,983	18,276
	<u>13,751,582</u>	<u>11,174,759</u>

Amounts owed by group undertakings are interest-free and repayable on demand.

Included within amounts owed by group undertakings is a balance of £5,003,874 which relates to amounts owed to the Company in respect of the shares issued on 22 March 2022.

PAYRNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Safeguarded funds held

	2022	2021
	£	£
Safeguarded funds held	429,763,423	349,321,269

The Company holds monies on behalf of clients in accordance with the Electronic Money Regulations of its regulator, the Financial Conduct Authority. Included within creditors due within one year is the corresponding liability of monies owed back to clients of the Company.

13. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	12,070,032	4,440,579

The Company has an off balance sheet arrangement for bank accounts held in trust and controlled by VISA. The trust accounts are not included within cash and cash equivalents in these financial statements.

14. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Safeguarded relevant funds liability	429,763,423	349,321,269
Trade creditors	340,902	209,926
Amounts owed to group undertakings	-	8,830,636
Corporation tax	-	24,438
Other taxation and social security	175,975	181,577
Other creditors	11,963,894	2,284,492
Accruals and deferred income	689,887	545,550
	442,934,081	361,397,888

The Company holds monies on behalf of clients in accordance with the Electronic Money Regulations of its regulator, the Financial Conduct Authority. Included within debtors is the corresponding cash of monies owed back to clients of the Company.

15. Deferred taxation

PAYRNET LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Deferred taxation (continued)

	2022 £
At beginning of year	(105,846)
Charged to profit or loss	105,846
At end of year	-

	2022 £	2021 £
Short term timing differences	-	(105,846)
	-	(105,846)

16. Share capital

	2022 £	2021 £
Allotted and called up		
3,500,000 (2021 - 1,000,000) Ordinary shares of £0.001 each	3,500	1,000
1,675,000 (2021 - 1,675,000) Regulatory preference shares of £0.001 each	1,675	1,675
	<u>5,175</u>	<u>2,675</u>

On 22 March 2022, the Company issued 2,500,000 Ordinary shares of £0.001 each at par.

17. Reserves

Share premium account

Includes amounts paid for shares in excess of their nominal value.

Profit and loss account

Includes all current and prior period retained profits and losses.

PAYRNET LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 Section 33.1A not to disclose transactions between wholly owned group undertakings.

Included in amounts owed by group undertakings is a balance of £5,771,246 (2021: £414,612) owed by companies under common control.

Included in amounts owed to group undertakings is a balance of £nil (2021: £8,830,636) owed to companies under common control.

Included within expenses is an amount of £7,306,655 (2021: £4,323,733) representing a write off of balances owed by group undertakings during the year.

19. Post balance sheet events

During June 2023, the Company was issued a S166 notice by the Financial Conduct Authority, and the Company elected to undertake a Voluntary Restriction on its business (VREQ) thereby restricting its license. Whilst the restriction has minimal impact on the Company's current customer base and operations, the Company is prohibited from onboarding new clients. Under new management, the Company is in a remediation process with the FCA with the aim to remove the restriction in the near future.

On 9 March 2023 the parent of the Company Railsbank Technology Ltd was put into administration and the Company was acquired by Embedded Finance Ltd. As a consequence of this the debt owed by Railsbank Technology Ltd were deemed uncollectible generating an expense of £7,306,655 (2021: £4,323,733).

20. Controlling party

During the year, the immediate parent company and ultimate controlling party was Railsbank Technology Limited, a company registered in England and Wales.

On 9 March 2023 the immediate parent company is now Embedded Finance Limited, a company registered in England and Wales. The registered office of the parent company is 15 Bowling Green Lane, London, EC1R 0BD.

The ultimate controlling party is D Squared Capital Limited, a company registered in England and Wales. The registered office of the parent company is 15 Bowling Green Lane, London, EC1R 0BD.