

Registered number: 06029941

APS Financial Limited

FINANCIAL STATEMENTS

For the year ended 31 March 2020



APS Financial Limited

COMPANY INFORMATION

Directors	R K Dear S T Knight P Schooley R T Wagner D E Rodwell (resigned 26 June 2020) L S Burrett
Company secretary	R K Dear
Registered number	06029941
Registered office	6th Floor One London Wall London EC2Y 5EB
Trading Address	Cottons Centre Cottons Lane London SE1 2QG
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Royal Bank of Scotland 62-63 Threadneedle Street London EC2R 8HP Natwest Bank 250 Bishopsgate London EC2M 4AA

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STRATEGIC REPORT
For the year ended 31 March 2020

Business review

The directors were satisfied with the year's performance with a profit before tax of £2.1m (2019: £1.7m). In conjunction with its parent company, the company has continued its preparations for the groups transition to a banking environment.

The main business revenue continues to be generated from commissions associated with its card issuing which operates solely on behalf of its parent company, and also from interest earned on deposits held in a safeguarded accounts with approved credit institutions.

To monitor the performance of the company, the directors focus on customer e-money liabilities as its main key performance indicator. Customer e-money liabilities increased during the year to £363.0m (2019: £292.7m).

Although the impact of the coronavirus pandemic has not materially affected results for the year ending March 2020 customer e-money liabilities have grown strongly since that time driven by the central government coronavirus grants for business customers. However, the result of the crisis has also led to a reduction in interest rates which has reduced revenue and the business is currently engaged in a cost reduction programme. This is expected to ensure the business remains profitable subject to the risks posed by further rate reductions and potential negative interest rates. The growth of the e-money cash balances since the year end is expected to be temporary but in order to maintain adequate regulatory capital, whose requirement is linked to the level of these balances, the parent company injected £0.25m in the form of a purchase of 250,000 £1 ordinary shares at the end of June 2020.

The parent company submitted its final bank licence application to Financial Conduct Authority (FCA) and Prudential Regulation Authority in August 2019. The parent expected to become a bank during the coming financial year and as part of this process it is the company's intention to transfer its commercial activities to its parent company and subject to appropriate governance steps to hand back its regulatory licences during that time.

Since the year end the company has been engaged in a programme of actions to react to the impact of the coronavirus pandemic. These include cost management programmes which were enacted during April and May to offset revenue falls which have been the result to the falls in economic activity and payment transactions as a result of the widespread lockdown. These have proved successful and moderate improvements in revenue have been seen in June and July.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2020

Principal risks and uncertainties

The company's principal financial instruments comprise cash and various working capital items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial, conduct and operational risks.

The main risks arising from the company's financial instruments are interest rate and liquidity. The company participates in the governance and treasury framework of its parent company which allows the directors to review and agree policies for managing each of these risks and they are summarised below. Oversight and management of the risks posed to the company are undertaken by the company's board and through attendance of the company's directors on parent company committees including those mentioned below.

Interest rate risk

Interest rate risk is the risk that adverse fluctuation may cause an adverse impact on the company's financial position. The company finances its operations through a mixture of retained profits and equity capital support provided by its parent company. The company's exposure to interest rate fluctuations on its interest income from deposits is managed through continual liaison with the company's parent company and assessment of this risk.

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its liabilities as they fall due. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by detailed cash flow analysis and forecasts. Both interest rate and liquidity risk are managed at the parent company's ALCO, which meets monthly and reports the parent company's Risk Committee, which meets quarterly.

Conduct Risk

Conduct risk is the risk of unfair customer outcomes as a result of business strategies and practices undertaken by the company. The statutory obligation of the FCA is to protect consumers and as part of its adherence to guidelines the company, as a licensed electronic money institution, maintains a conduct risk management framework which addresses the obligation of the business to assess and manage any risk that its systems and controls may cause detriment to a customer. Conduct risk is managed through the parent's Conduct Risk Committee, which meets monthly and reports to the parent company's Risk Committee.

Operational and Other Risks

The company's parent company provides the company with a number of outsourced systems and operational support. Risks associated with these services are primarily managed by the parent company's Operational Security and Risk Management Group which meets monthly and reports to the parent company's Risk Committee.

Section 172 of the Companies Act 2006

In making this report the directors consider they have had regard to section 172 (1) (a) to (f) when performing their duties and making decisions and setting the strategy of the company. This includes the responsibility of directors to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard to:

- **The likely consequences of any decisions for the longer term**

The directors consider holistically the long-term potential consequences of any decision to its stakeholders. The board is provided regular reports from its committees of key decisions taken, material risks and performance updates. These bodies cover the interests of all stakeholders including regulators, suppliers, employees and customers. The company also undertakes strategic planning exercises which includes planning over a five year time horizon.

STRATEGIC REPORT (CONTINUED)
For the year ended 31 March 2020

- **The interest of the company's employees**

The directors place great importance on attracting and retaining highly talented and motivated people throughout the business. The business succeeds by developing colleagues' skills to foster a culture of career progression. Employee wellbeing is high on the executive committee agendas and to fully understand this an anonymous employee survey is conducted regularly with results published for each business area as well as the companywide. Company level and business area action plans are constructed based on these surveys. There is an extensive employee communications programme including monthly all employee conference meetings in which employees can engage and raise issues with executive management.

- **The need to foster the company's business relationships with suppliers, customers and others**

To ensure that the company understands customers' needs a regular customer survey is performed and the directors continually monitor feedback using metrics such as net promoter scores and customer satisfaction reviews. The data collected from these sources help inform decision making and to prioritise what is important to both customers. Customer satisfaction and feedback is also monitored by reviewing independent social media scoring mechanisms including Feefo and Trustpilot. The company continues to develop long term business relationships with key suppliers through its supplier management framework and policies which have been strengthened as part of its banking licence application. This has established regular review meetings with suppliers to foster relationships and review key performance indicators.

- **The impact of the company's operations on the community and environment**

As a financial institution it is central to the business to build trust with customers and the wider environment around them. The company is committed to having a positive impact on the environment by developing online automated applications and systems that minimise the impact on the environment. The issue of a recyclable plastic payment card is an example of the company's commitment to lead in this area.

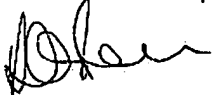
- **The desirability of the company maintaining a reputation for high standards of business conduct**

The directors take the responsibility of being a financial institution seriously and engage regularly with the regulators on a variety of subjects including risk and compliance. This includes contributing to industry consultations by the regulator and senior management involvement in industry bodies. The company places a high value on compliance with all relevant regulations and perform to the highest level of integrity and ethical behaviour. All colleagues undertake appropriate mandatory conduct risk training appropriate to their roles, on an annual basis.

- **The need to act fairly as between the shareholders of the company**

The directors fulfil their duties in this regard through a governance framework that includes the establishment of clear documentation of rights and responsibilities in Articles of Association and Shareholder Agreements. The directors provide regular communications to smaller shareholders on strategic matters including, for example, the progress towards the banking licence and associated corporate transactions.

This report was approved by the board on 2 September 2020 and signed on its behalf.



R K Dear
Secretary

APS Financial Limited

DIRECTORS' REPORT **For the year ended 31 March 2020**

The directors present their report and the financial statements for the year ended 31 March 2020.

Principal activity

The company is authorised and regulated by the FCA as an e-money institution and the principal activity is the issue of prepaid payment debit cards and e-money.

Results and dividends

The profit for the year, after taxation, amounted to £2,105,239 (2019 - £1,366,231).

Directors

The directors who served during the year were:

R K Dear
S T Knight
P Schooley
R T Wagner
D E Rodwell (resigned 26 June 2020)
L S Burrett

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. As described in note 2.2, the directors do not consider the company to be a going concern and in consequence, these financial statements have not been prepared on a going concern basis.

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.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 March 2020

Qualifying third party indemnity provisions

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

Post balance sheet events

The company maintains minimum regulatory capital based on a ratio of 2% of its customer e-money liabilities. Post the balance sheet date these grew as a result of the government grants relating to the coronavirus crisis. Therefore, on the 25 June 2020, to support the increased capital requirements of the company relating to its e-money licence, the board approved the issue of a further 250,000 Ordinary Shares of £1 each which have been acquired and fully paid up by its parent company Advanced Payment Solutions Limited.

Disclosure of information to auditors

Each of the persons who are directors at the time when the Director's 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,

A basis other than going concern

The company and its directors have been involved in the preparation of a strategy for the parent company to obtain authorisation as a credit institution. The project is well progressed and is expected to complete towards the end of this year. The plan has been shared with the company's existing regulators, the Financial Conduct Authority (FCA), and the Prudential Regulation Authority (PRA). Preliminary communication relating to the strategy has been made to the company's customers.

As part of this plan the company is expected to transfer all of its e-money related cash assets and liabilities to its parent company. The e-money liabilities will at this point convert into bank deposits and it is expected that shortly after that the company will relinquish its electronic money institution permissions. As a result of this change current plans are for the company to cease trading in the early part of next year and following the discharge of any regulatory obligations it will return net assets to its parent company and commence wind down proceedings at that point.

In the light of the company's intention to wind down during the coming year the directors do not feel it is appropriate to adopt a going concern basis of accounting. Consequently a basis other than going concern has been adopted in preparing the financial statements. There were no changes required to the preparation of the financial statements as a result of adopting a basis other than going concern

Auditors

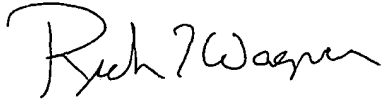
During the period, Grant Thornton UK LLP resigned as auditors. Following a comprehensive tender process BDO LLP were appointed as auditors to the company.

Under section 487(2) of the Companies Act 2006, BDO 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.

APS Financial Limited

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 March 2020

This report was approved by the board on 2 September 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'R T Wagner', with a stylized, cursive script.

R T Wagner
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APS FINANCIAL LIMITED

Opinion

We have audited the financial statements of APS Financial Limited ("the Company") for the year ended 31 March 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of preparation

We draw attention to Note 2.2 to the financial statements, which explains the Directors intention to wind down the Company in the next 12 months. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in Note 2.2. Our opinion is not modified in respect of this matter.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APS FINANCIAL LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APS FINANCIAL LIMITED

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.



Matthew Hopkins (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

Dated: 2 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

APS Financial Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	2020 £	2019 £
Revenue	4	5,109,429	3,520,831
Gross profit		5,109,429	3,520,831
Administrative expenses		(3,250,210)	(1,868,452)
Operating profit		1,859,219	1,652,379
Interest receivable and similar income	8	-	9,000
Other finance income		246,141	25,037
Profit before tax		2,105,360	1,686,416
Tax on profit	9	(121)	(320,185)
Profit for the financial year		2,105,239	1,366,231

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

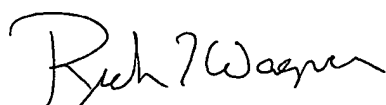
The notes on pages 17 to 30 form part of these financial statements.

APS Financial Limited
Registered number: 06029941

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Note	2020 £	2019 (as restated) £
Current assets			
Debtors: amounts falling due within one year	11	4,082,364	1,892,998
Cash at bank and in hand	12	372,146,885	302,976,615
		<u>376,229,249</u>	<u>304,869,613</u>
Customer liabilities		(363,049,911)	(292,743,555)
Creditors: amounts falling due within one year	13	(4,869,258)	(5,921,217)
		<u>8,310,080</u>	<u>6,204,841</u>
Net current assets		8,310,080	6,204,841
Total assets less current liabilities		8,310,080	6,204,841
Net assets		8,310,080	6,204,841
Capital and reserves			
Called up share capital	18	350,000	350,000
Capital redemption reserve	19	450,000	450,000
Profit and loss account	19	7,510,080	5,404,841
		<u>8,310,080</u>	<u>6,204,841</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 September 2020.



R T Wagner
Director

The notes on pages 17 to 30 form part of these financial statements.

APS Financial Limited

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	350,000	450,000	5,404,841	6,204,841
Comprehensive income for the year				
Profit for the year	-	-	2,105,239	2,105,239
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	2,105,239	2,105,239
Total transactions with owners	-	-	-	-
At 31 March 2020	350,000	450,000	7,510,080	8,310,080

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	350,000	450,000	4,438,610	5,238,610
Comprehensive income for the year				
Profit for the year	-	-	1,366,231	1,366,231
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,366,231	1,366,231
Dividends: Equity capital	-	-	(400,000)	(400,000)
Total transactions with owners	-	-	(400,000)	(400,000)
At 31 March 2019	350,000	450,000	5,404,841	6,204,841

The notes on pages 17 to 30 form part of these financial statements.

APS Financial Limited

STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,105,239	1,366,231
Adjustments for:		
Other finance income	(246,141)	(25,037)
Interest received	-	(9,000)
Taxation charge	121	320,185
(Increase)/decrease in debtors	(1,215,589)	1,777,035
(Increase)/decrease in amounts owed by group entities	(607,420)	2,609,739
Increase in creditors	69,727,345	54,703,288
(Decrease) in amounts owed to group entities	(268,049)	(2,653,850)
Corporation tax (paid)	(325,235)	(432,323)
Net cash generated from operating activities	69,170,271	57,656,268
Cash flows from investing activities		
Interest received	-	9,000
Net cash from investing activities	-	9,000
Cash flows from financing activities		
Dividends paid	-	(400,000)
Net cash used in financing activities	-	(400,000)
Net increase in cash and cash equivalents	69,170,271	57,265,268
Cash and cash equivalents at beginning of year	302,976,615	245,711,347
Cash and cash equivalents at the end of year	372,146,886	302,976,615
Cash and cash equivalents at the end of year comprise:		
Balances held on behalf of customers	363,722,114	295,190,148
Bank current accounts	8,424,772	7,786,467
	372,146,886	302,976,615

The notes on pages 17 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. General information

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

The company is authorised and regulated by the FCA as an e-money institution and the principal activity is the issue of prepaid payment debit cards and e-money.

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:

2.2 A basis other than going concern

In the light of the company's intention to wind down during the coming year the directors do not feel it is appropriate to adopt a going concern basis of accounting. Consequently a basis other than going concern has been adopted in preparing the financial statements. There were no changes required to the preparation of the financial statements as a result of adopting a basis other than going concern.

2.3 Revenue

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.

Revenue represents interest income from placing customer balances with authorised credit institutions as well as fees and commissions generated from charges to the parent company relating to the normal operation of the customer accounts in respect of the period. Commissions are earned and recognised on the date the transactions occur.

2.4 Debtors

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. Accounting policies (continued)

2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits held with regulated financial institutions. 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.

Cash held on behalf of customer liabilities is held in safeguarded bank accounts under the requirements of the FCA Electronic Money Regulations 2011 and are subject to separate mandates agreed and governed by the company together with the company's bankers in order to segregate such funds from other company assets in the event of insolvency.

2.6 Financial instruments

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

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

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

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

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

2.7 Creditors

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

2. Accounting policies (continued)

2.8 Prior period adjustment

An adjustment has been made to the company Balance Sheet as presented in the 31 March 2019 Financial Statements regarding the treatment of £19.9m of customer e-money liabilities. During the 2020 financial close process a presentational error was identified in respect of the 31 March 2019 Financial Statements that resulted in the overstatement of customer liabilities of £19.9m, an overstatement of Cash and cash equivalents of £15.2m, an overstatement of debtors of £1.5m, and an understatement of other creditors of £3.2m. This presentational error has been corrected as a prior period restatement in these financial statements and has no impact on total comprehensive income for the year or brought forward retained earnings.

A further adjustment has been made to the company Balance Sheet as presented in the 31 March 2019 Financial Statements regarding the representation of £4.3m of cash balances disclosed as cash safeguarded for customers. These amounts were in fact not held in safeguarded accounts, but were held in company corporate accounts. This representational error has been corrected as a prior period restatement in these financial statements and has no impact on total comprehensive income for the year or brought forward retained earnings.

2.9 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.

2.10 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.

2.11 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 the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

2. Accounting policies (continued)

2.12 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.13 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; 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 reporting date.

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

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

The directors affirm that there are no critical judgments or key sources of estimation uncertainty in the preparation of these financial statements.

4. Revenue

	2020 £	2019 £
Provision of services	2,644,279	2,360,171
Bank interest	2,465,151	1,160,660
	<u>5,109,430</u>	<u>3,520,831</u>

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

5. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	32,400	-
Fees payable to the company's previous auditor for the audit of the company's annual financial statements	-	13,800
	<u>32,400</u>	<u>13,800</u>
Fees payable to the company's previous auditor and its associates in respect of:		
Taxation compliance services	-	5,000
Other services supplied pursuant to such legislation	-	5,300
All other services	-	550
	<u>-</u>	<u>10,850</u>

6. Employees

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

	2020 £	2019 £
Wages and salaries	2,584,222	1,305,827
Social security costs	272,027	143,429
Cost of defined contribution scheme	89,002	19,931
	<u>2,945,251</u>	<u>1,469,187</u>

Of the total £2.9m charge in the period, £2.6m related to recharges from the parent company, Advanced Payment Solutions Ltd

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

2020 No.	2019 No.
<u>7</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	535,763	557,798
Company contributions to defined contribution pension schemes	13,862	7,970
	<u>549,625</u>	<u>565,768</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £309,608 (2019 - £357,144).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,710 (2019 - £4,800).

8. Interest receivable

	2020 £	2019 £
Other interest receivable	-	9,000
	<u>-</u>	<u>9,000</u>

Interest of £NIL (2019: £9,000) represents interest on a £450,000 loan to it's parent company that was settled in full on 31 May 2018.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

9. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	320,185
Adjustments in respect of previous periods	427	-
	<u>427</u>	<u>320,185</u>
Total current tax	<u>427</u>	<u>320,185</u>
Deferred tax		
Origination and reversal of timing differences	172	-
Changes to tax rates	(51)	-
Adjustments to prior periods	(427)	-
Total deferred tax	<u>(306)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>121</u>	<u>320,185</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

9. 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	<u>2,105,360</u>	<u>1,686,416</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	400,018	320,419
Effects of:		
Group relief claimed	(399,847)	(285)
Adjustments to tax charge in respect of prior periods	427	178
Adjustments to tax charge in respect of previous periods - deferred tax	(427)	(159)
Adjust closing deferred tax to average rate of 19.00%	-	50
Adjust opening deferred tax to average rate of 19.00%	(50)	(19)
Other adjustments	-	1
Total tax charge for the year	<u><u>121</u></u>	<u><u>320,185</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

10. Dividends

	2020 £	2019 £
Dividends Paid	-	400,000
	<u>-</u>	<u>400,000</u>
	<u><u>-</u></u>	<u><u>400,000</u></u>

11. Debtors

	2020 £	2019 £
Trade debtors	639,566	854,015
Amounts owed by group undertakings	788,633	181,213
Other debtors	2,653,859	713,141
Prepayments and accrued income	-	144,629
Deferred taxation	306	-
	<u>4,082,364</u>	<u>1,892,998</u>
	<u><u>4,082,364</u></u>	<u><u>1,892,998</u></u>

12. Cash and cash equivalents

	2020 £	2019 £
Safeguarded for customers	363,722,114	295,190,148
Cash and bank balances	8,424,772	7,786,467
	<u>372,146,886</u>	<u>302,976,615</u>
	<u><u>372,146,886</u></u>	<u><u>302,976,615</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

13. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	316,669	777,213
Amounts owed to group undertakings	204,061	472,111
Corporation tax	-	116,725
Other taxation and social security	10,440	12,262
Other creditors	4,278,690	4,330,400
Accruals and deferred income	59,398	212,506
	<u>4,869,258</u>	<u>5,921,217</u>

14. Financial risk management

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

Liquidity risk

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

The liabilities of the company include £363.0m (2019: £292.7m) of customer liabilities for outstanding e-money balances due on demand.

With regard to customer held funds, the company holds cash which is safeguarded and segregated, equal to the liability of the customer account balances and estimates of cash collected on its behalf by third parties. The balances of both are reviewed and maintained on a daily basis.

Market risk

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

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

Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

15. Capital Management

APS Financial Limited is regulated as an electronic money institution by the FCA under the requirements of the Electronic Money Regulations 2011 and is required to hold adequate capital as prescribed by the FCA's Minimum Regulatory Capital ("MRC") requirement to hold 2% of customer e money liabilities. In compliance with these regulations the directors regularly monitor capital levels within the required levels and therefore maintains capital accordingly. Surpluses to minimum regulatory capital requirements were maintained with no breaches occurring during the year.

16. Financial instruments

	2020 £	2019 (as restated) £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	375,862,892	304,724,984
Financial liabilities		
Financial liabilities measured at amortised cost	(367,919,145)	(298,664,771)

Financial liabilities measured at amortised cost comprise trade and other creditors, customer liabilities for e-money outstanding and cardholder funds in transit.

17. Deferred taxation

	2020 £
Charged to profit or loss	306
At end of year	306

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020 £	2019 £
Origination and reversal of timing differences	(172)	-
Adjustments in respect of prior periods	427	-
Effect of tax rate changing on opening balance	51	-
	<u>306</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

18. Share capital

	2020 £	2019 £
Authorised, allotted, called up and fully paid		
350,000 (2019 - 350,000) Ordinary shares of £1 each	350,000	350,000
Rights of shares		
Ordinary shares rights are set out in the company's Articles of Association		

19. Reserves

Capital redemption reserve

Capital held to maintain Tier 1 Capital requirement.

Profit and loss account

Includes all current and prior periods retained profits and losses.

20. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £89,002 (2019 - £19,931). Contributions totalling £nil (2019 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

21. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 section 33 "related party disclosures" not to disclose transactions with members of the Advance Payment Solutions Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 7.

22. Post balance sheet events

The company maintains minimum regulatory capital based on a ratio of 2% of its customer e-money liabilities. Post the balance sheet date these grew as a result of the government grants relating to the coronavirus crisis. On 25 June 2020, to support the increased capital requirements of the company relating to its e-money licence, the board approved the issue of a further 250,000 Ordinary Shares of £1 each which have been acquired and fully paid up by its parent company Advanced Payment Solutions Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

23. Ultimate parent undertaking and controlling party

The immediate parent company is Advanced Payment Solutions Limited, a company incorporated in England and Wales. The ultimate controlling party is Trident Capital Management-VI, L.L.C. which is the General Partner of Trident Capital Fund-VI LP, a fund which has the majority shareholding in Advanced Payment Solutions Limited. Both Trident Capital Management-VI, L.L.C. and Trident Capital Fund VI L.P. are entities incorporated in the United States of America.

The largest and smallest group of undertakings for which consolidated accounts have been prepared and are publicly available is that headed by Advanced Payment Solutions Limited. These can be obtained from the registered office.