Prepaid Financial Services Limited

Registered number: 06337638

Annual report and Financial statements
For the financial year 1 July 2021 to 30 June 2022

Prepaid Financial Services Limited
Contents

Prepaid Financial Services Limited

Corporate Information

Directors	Lorraine Buhagiar (appointed 24 November 2021) Jennie Power (appointed 23 December 2022)
Company Secretaries	Sonya Tissera-Isaacs (appointed 18 March 2022)
Registered office	4th Floor 35 Great St. Helen's London England EC3A 6AP
Independent Auditor	Deloitte LLP Statutory Auditor 4 Brindleyplace Birmingham England B1 2HZ
Bankers	Barclays One Churchill Place, London E14 5HP
Solicitors	Eversheds Sutherland 1 Wood Street London EC2V7WS Keystone Law 53 Davies Street London W1K5JH
Registered number	06337638

Prepaid Financial Services Limited

Strategic report

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

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

Review of the business

Key performance indicators were as follows:

- Revenue for the financial year was £26,986,000 (1 January 2020 to 30 June 2021: £43,792,000) primarily as a result of the reduction to a twelve-month financial period compared to the prior period. There have been changes in the structure of revenue source for the Company with the introduction of Account Maintenance Fees (AMF) and dormant state accounts offsetting reductions in other service based revenue;
- Other income £4,171,000 (2021: £nil) arising from intangible asset charges to entities within the EML Payments Limited 100% owned group; and
- Net profit after tax has increased by 45% to be £6,618,000 (1 January 2020 to 30 June 2021: £4,568,000).

Prepaid Financial Services Limited continues to outsource some of its operations to PFS Card Services Ireland Limited and Spectre Technologies Limited. These companies are also wholly owned subsidiaries of Prepaid Financial Services (Ireland) Limited.

Capital Injection

On 9 August 2021, the company's shareholder (Prepaid Financial Services (Ireland) Limited) injected equity of £14,126,588,000 into the Company. This was required to meet its obligations to the regulator to maintain minimum levels of capital as calculated under *Payment Services Regulations 2017 and Electronic Money Regulations 2011 - FCA Approach Document 9.33/2021 v5.* Refer note 18. The Company has been in compliance with the capital requirements during the financial year.

Going concern

The Directors have determined it appropriate to prepare the financial statements under the going concern principle. The considerations in reaching this conclusion have been detailed in Note 23 of the financial statements.

Prepaid Financial Services Limited

Strategic Report (continued)

Principal risks and uncertainties
The process of risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to the Company approval and are owned and executed by management as the first line of defence. This is overseen by the Business Risk and Compliance Committee ("BRCC"). The Company faces operational and regulatory risks including but not limited to, those detailed below as well as financial risks which are detailed within Note 20.

Regulatory risk
The risk that a change in laws and regulations will materially impact the business, sector or market, and thus changes in regulations or laws made by the government could materially increase the costs of operating the business in line with changes. Through a combination of risk management procedures and horizon scanning, the Company will identify and implement any changes to laws and regulations in a timely manner, reducing the impact of this risk to an acceptable level. Referring to Note 22, the Company is actively engaging with the FCA. Refer to Note 16 for additional details.

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

- High global inflation;
- Slowing global economy;
- The war between Ukraine and Russia; and
- Changes in the political environment.

The Company recognises this risk and is focused implementing policies and procedures that ensure appropriate action can be taken to minimise the impact of any issues to an acceptable level.

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

Cyber-attacks / Information security
Cyber-attacks have increased across the globe each year, potentially impacting our customers through fraud or access to customer data. We continue to invest in our IT systems, and our employee training including carrying out regular phishing tests. We work closely with our partners to ensure that they have the latest and most up to date security regimes to provide the best possible protection against potential breaches.

Competition
The Company faces strong competition in the market. However, the directors believe the knowledge, and expertise of core markets is a competitive advantage coupled with the continued evolution of products and services that it offers.

Prepaid Financial Services Limited

Strategic Report (continued)

Compliance risk
Failure to comply with Electronic Money Regulations ("EMRs"), scheme requirements and local laws within the jurisdictions it operates in could result in sanctions or an adverse impact on customers. The Company works closely with regulators, the schemes and local law firms to ensure it understands requirements. The Company is undertaking a process improvement to implement a robust framework that identifies, manages and mitigates compliance risks, which is being overseen by the Board of Directors.

Capital Adequacy risk
The risk that the Company does not maintain sufficient capital to achieve its business strategy, to support working capital requirements as well as meeting regulatory capital requirements. To mitigate the risk, management regularly carries out a forward-looking assessment of capital adequacy, reports capital adequacy position to the Board of the Company regularly as well as continuous monitoring of risk metrics reported to the Business Risk and Compliance Committee (see note 19 for further information on capital management).

Section 172 Statement

The following disclosure provides an overview to how the Board discharges its duties under S172 of the *Companies Act 2006* to promote the success of the Company. The Board discharges this duty through its decision making at meetings, delegation of day-to-day decision making to employees and by other means.

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

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

Prepaid Financial Services Limited

Strategic Report (continued)

People, Community and Environment
Our people and the community in which we operate are key to our success. We engage with our employees through employment surveys and regular online communications.
We have begun to focus on being able to make an even bigger contribution and difference to the lives of others through our team. Being socially responsible is fundamental to our operating purpose and a key foundation of our business strategy.

Through our introduction of the Change for Good initiative, we have made further progress with our social and environmental practices – particularly in reducing environmental plastic waste, safety and policies to support our community involvement.

Future developments
The Directors of the Company are satisfied with the financial performance and financial position of the Company during the year and expect the Company to make profits for the foreseeable future.

We will continue to monitor developments and respond as appropriate.

The report was approved by the board on 28 February 2023 and signed on its behalf.

On behalf of the board

Lorraine Buhagiar
Director
Date: 28 February 2023

Prepaid Financial Services Limited

Directors' Report

The Directors present their Directors' report and the audited financial statements for the financial year from 1 July 2021 to 30 June 2022.

Results for the year
The Directors are satisfied with the performance of the Company during the financial year. The Statement of Profit or Loss and Other Comprehensive Income is set out on page 14 and the key performance indicators were outlined in the Strategic Report above.
No dividends were paid or proposed during the year (1 Jan 2020 to 30 June 2021: £Nil).

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

Lorraine Buhagiar, Director (appointed 24 November 2021)
Jennie Power (appointed 23 December 2022)
Andrew Betts, Director (resigned 1 September 2022)
Lee Britton, Director (resigned 29 October 2021)
Thomas Cregan, Director (appointed 6 October 2021, resigned 24 November 2021)
David Curneen, Director (appointed 28 February 2022, resigned 30 September 2022)

Directors may be eligible for share options in the parent entity, EML Payments Limited, as part of their remuneration package, refer to EML Payments Limited Annual report 2021 for further detail.

Donations
The Company has not made any charitable or political donations during the year (2021: Nil).

Disclosure of information to auditors
Each of the persons who is a Director at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, 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 auditor is aware of that information, and
- this information is given and should be interpreted in accordance with s.418 of the Companies Act 2006.

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Directors' Report (continued)

Post balance sheet events

In August 2022, the Company repaid 5,111,638,000 of share capital at £0.001 to reduce number of fully paid ordinary shares to 15,055,048,000.

In October 2022, the Company agreed to temporarily cease onboarding new customers, agents and distributors following concerns raised by the UK regulator, the FCA primarily in relation to the risk and control frameworks and governance. These measures will allow the Company to address concerns highlighted by the FCA. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

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

Auditor

In accordance with s.485 of the Companies Act 2006, the auditor, Deloitte LLP will continue in office.

On behalf of the board

Lorraine Buhagiar
Director
Date: 28 February 2023

Prepaid Financial Services Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard requires that directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the *Companies Act 2006.* They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Lorraine Buhagiar
Director
Date: 28 February 2023

Prepaid Financial Services Limited

Independent auditor's report to the members of Prepaid Financial Services Limited

Report on the audit of the financial statements

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

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Prepaid Financial Services Limited

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

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

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

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

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

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

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

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

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

Prepaid Financial Services Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

S. Cumberbatch.

Stewart Cumberbatch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
28 February 2023

Prepaid Financial Services Limited

Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2022

	Note	30 June 2022 £'000	1 January 2020 to 30 June 2021 £'000
Revenue from contracts with customers	2	24,740	38,585
Interest income	4	2,246	5,207
Total revenue		**26,986**	**43,792**
Cost of sales	5	(8,457)	(16,897)
Gross profit		**18,529**	**26,895**
Other income	3	4,171	-
Expenses			
Employee benefits expense	19	(4,187)	(3,946)
Professional fees		(3,440)	(5,501)
Information technology expense		(3,551)	(1,241)
Depreciation and amortisation expense		(1,892)	(2,588)
Other expenses[1]	6	(1,935)	(7,197)
Total expenses		**(15,005)**	**(20,473)**
Profit before taxation		**7,695**	**6,422**
Income tax expense	7	(1,077)	(1,854)
Net profit for the year		**6,618**	**4,568**
Other comprehensive income for the year, net of income- tax		-	-
Total comprehensive income for the year		**6,618**	**4,568**

All activities are derived from continuing operations.

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Financial Position
As at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Current Assets			
Cash and cash equivalents	8	4,985	8,060
Contract asset	10	1,320	-
Trade and other receivables	11	5,017	3,689
Other current assets		837	721
Segregated funds and bond investments	12	272,273	253,659
Intercompany loan receivable	21	10,334	7,102
Current tax receivable		3,151	2,435
Total Current Assets		**297,917**	**275,667**
Non-Current Assets			
Contract asset	10	5,929	-
Intangible assets	14	3,112	4,303
Plant and equipment and right-of-use asset		884	204
Segregated funds and bond investments	12	167,742	138,691
Financial assets [1]	17	341	355
Total Non-Current Assets		**178,008**	**143,552**
Total Assets		**475,925**	**419,219**
Current Liabilities			
Trade and other payables	15	3,517	5,717
Provisions	16	2,951	920
Liabilities to stored value account holders	13	437,499	404,713
Intercompany loan payable	21	2,590	178
Lease liability		148	64
Other liabilities		205	-
Total Current Liabilities		**446,911**	**411,592**
Non-Current Liabilities			
Lease liability		569	-
Other liabilities[1]	17	169	170
Deferred tax liabilities	7	388	314
Total Non-Current Liabilities		**1,126**	**484**
Total Liabilities		**448,037**	**412,076**
Net Assets		**27,888**	**7,143**

Prepaid Financial Services Limited

Statement of Financial Position (continued)

As at 30 June 2022
Registered number: 06337638

	Note	30 June 2022 £'000	30 June 2021 £'000
Equity			
Issued capital	*18*	20,167	6,040
Retained earnings		7,721	1,103
Total Equity		**27,888**	**7,143**

[1] Refer to Note 17 for the re-presentation of prior year's financial asset and financial liability.

The accompanying notes form part of these financial statements approved by the Board and authorised for issue.

Registered number: 06337638

On behalf of the Board

Lorraine Buhagiar
Director
28 February 2023

Prepaid Financial Services Limited

Statement of Changes in Equity

For the year ended 30 June 2022

	Share capital	Retained earnings/ (Accumulated losses)	Total
	£'000	£'000	£'000
Balance at 31 December 2019	**100**	**(3,465)**	**(3,365)**
Total comprehensive income			
Profit for the period	-	4,568	**4,568**
Transactions recorded directly in equity			
Issue of share capital (Note 18)	5,940	-	**5,940**
Balance at 30 June 2021	**6,040**	**1,103**	**7,143**
Total comprehensive income			
Profit for the year	-	6,618	**6,618**
Transactions recorded directly in equity			
Issue of share capital (Note 18)	14,127	-	**14,127**
Balance at 30 June 2022	**20,167**	**7,721**	**27,888**

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Cash flows
For the year ended 30 June 2022

	Note	30 June 2022	1 January 2020 to 30 June 2021
		£'000	£'000
Cash flows from operating activities			
Receipts from customers		16,146	40,586
Payment to suppliers and employees		(22,207)	(34,786)
Payment to segregated funds and bond investment		(14,763)	(8,192)
Interest received		2,794	6,275
Tax paid		(1,702)	(2,029)
Interest paid		(82)	-
Net cash (used in)/generated by operating activities	9	**(19,814)**	**1,852**
Cash flows from investing activities			
Purchase of plant and equipment		(105)	(19)
Purchase of intangibles		(519)	(1,370)
Net cash used in investing activities		**(624)**	**(1,388)**
Cash flows from financing activities			
Proceeds from issue of shares		14,127	5,940
Payments for principal on lease liability		(107)	(441)
Repayment/(proceeds from) of loan from related party, net		3,452	(5,946)
Net cash generated by/ (used in) financing activities		**17,472**	**(447)**
Net (decrease)/increase in cash held		(2,966)	17
Cash at beginning of financial year		8,060	8,044
Foreign exchange loss		(109)	-
Cash at end of financial year	8	**4,985**	**8,060**

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Notes to the Financial Statements

Note 1: Corporate Information

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

Note 2: Revenue from contracts with customers	30 June 2022	1 Jan 2020 to 30 June 2021
	£'000	£'000
Recurring revenue – Transaction-based revenue	10,329	29,353
Recurring revenue – Service-based revenue		
Account management fees[1]	7,299	-
Dormant state accounts revenue[2]	1,657	-
Breakage revenue[1]	2,048	-
Other service- based revenue	-	870
Non-recurring revenue – Establishment revenue	3,407	8,362
	24,740	**38,585**

1 For the financial year ended 30 June 2022, the Company revised existing terms and conditions for the GPR accounts. This allowed the Company to recognise Account Management Fees (AMF) and Breakage revenue on existing accounts where the Company has previously provided settlement services. The Company has recognised a £7,328,089 AMF and Breakage revenue benefit relating to the existing accounts in the GPR segment. This is one off and non-recurring in nature.

2 For the financial year ended 30 June 2022, there was a £1,657,000 revenue benefit relating to the general purpose reloadable (GPR) segment. Dormant state accounts revenue is where cardholder liabilities are no longer required to be retained by the Company under the applicable Electronic Money Regulations and therefore were released from safeguarding requirements.

All revenue has been generated in the United Kingdom and Europe as outlined in the table below.

	UK	Europe
	£'000	£'000
Recurring revenue – Transaction-based revenue	10,329	-
Recurring revenue – Service-based revenue		
Account management fees	-	7,299
Dormant state accounts revenue	639	1,018
Breakage revenue	35	2,013
Non-recurring revenue – Establishment revenue	3,407	-
	14,410	**10,330**

Notes to the Financial Statements (continued)

Recurring Revenue

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

(i) Transaction-based revenue (Fixed consideration)

The Company generates fixed consideration from cardholder transactions. This revenue includes transaction fees and fees generated from interchange. Consideration for transaction- based revenue is drawn from the cardholders prepaid, unexercised rights.

Transaction and Interchange fees

Transaction fees and fees generated from interchange are recognised at the time the cardholder uses their card. The performance obligation for the Company relates to providing the cardholder access to funds to the value of their prepaid account (i.e. a distinct service each time the card is used).

Revenue is recognised at the point in time the service has been provided to the cardholder. The transaction price is fixed and determined with reference to the contractual terms.

(i) Service-based revenue (Variable consideration)

Account Management Fees (AMF)

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

Where the Company expects to be entitled to an AMF amount and can demonstrate the ability to reliably measure the value, revenue is recognised at the point in time when the settlement services are provided. The Company utilises cardholder behaviour to estimate performance obligation completion. Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. Significant accounting judgements and estimates relating to AMF revenue are described further below.

KEY JUDGEMENTS AND ESTIMATIONS- AMF REVENUE

Estimating variable consideration

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

Notes to the Financial Statements (continued)

Estimating when a highly probable reversal will not occur
The timing of the Company estimating when a highly probable reversal will not occur is determined based on the nature of the products.

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

Dormant state accounts revenue

The Company expects to generate revenue from GPR products where a balance expires unused. In accordance with the relevant Electronic Money Regulations (EMRs), accounts become dormant following expiry of the product and termination of the agreement with the end user.

Subject to redemption fees or dormancy fees as outlined in the applicable terms and conditions, balances may convert to revenue at the point the liability to the customer is no longer required to be retained by the Company under relevant EMRs. This time period varies depending on the jurisdiction under which the product was issued. Once calculated, the amount of liability to be extinguished will be approved by the Business Risk and Compliance Committee. This revenue will only be recognised once the liability is extinguished, and revenue will be recognised net of commission to our partners.

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

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

The Company's performance obligation is with the cardholder and either relates to redemption of value through goods and services, not cash, or providing the infrastructure to settle in goods and services, up to the card balance.

Where the Company expects to be entitled to a breakage amount and can demonstrate the ability to reliably measure the value, revenue is recognised over time in proportion to the pattern of rights exercised by the cardholder.

The transaction price is variable and therefore estimated using historical data, market-specific trends, and existing economic conditions for each program. The estimated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour. The Company will not recognise any estimated breakage amounts until it is highly probable that a significant revenue reversal will not occur. If the Company cannot determine whether breakage will occur, it will not recognise any amounts as breakage until the likelihood of the customer exercising its rights becomes remote.

Notes to the Financial Statements (continued)

Non-recurring Revenue

(i) Establishment revenue

The Company's Establishment revenue, including minimum spend, set up and card sales, is recognised when the performance obligation has been met and it is highly probable that a significant revenue reversal will not occur.

Card sales revenue is recognised when the order confirmed by the client as this represents the point in time at which the right to consideration becomes unconditional. Card orders are highly branded to the client's specific requirements and are unable to be repurposed. Following shipment, the client has full discretion over the manner of distribution and bears the risks of obsolescence and loss in relation to the card.

Minimum spend and set up revenues are recognised when the performance obligation has been met, at the point in time the services are performed.

Note 3: Other Income	30 June 2022 £'000	1 Jan 2020 to 30 June 2021 £'000
Intercompany transfer pricing charge	4,015	-
Other	156	-
	4,171	-

The Intercompany transfer pricing charge relates to intra-group services being management and general services between the Company and PFS Card Services Ireland Limited, a related party. The Company is subject to gains and losses on transactions and balances with both suppliers and customers that are not denominated in the company's reporting currency (GBP). The 1 Jan 2020 to 30 June 2021 charge (£4,819,000) is included in Other expenses.

Note 4: Interest income	30 June 2022 £'000	1 Jan 2020 to 30 June 2021 £'000
Interest income - Bond investments	2,246	5,207

Interest income is recognised using the effective interest method in accordance with IFRS 9. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 5: Cost of Sales

Cost of sales are expenses incurred that directly relate to the generation of revenue and for the year ended 30 June 2022 were £8,457,000 (1 Jan 2020 to 30 June 2021: £16,897,000). Included in this category are costs relating to facilitating transactions, costs from payment networks and costs relating to card manufacturing.

The Company's cost of sales also includes £76,000 of interest expense from a negative cash rate on the stored value assets (1 Jan 2020 to 30 June 2021: £195,000).

Note 6: Other expenses[1]	**30 June 2022**	**1 Jan 2020 to 30 June 2021**
	£'000	**£'000**
Fixed sponsor bank and other related costs	405	1,391
Foreign exchange loss/(gain)	24	(749)
Intercompany transfer pricing fee[2]	-	4,819
Expenses incurred by Prepaid Financial Services Limited relating to obligations arising prior to EML ownership[3]	-	3,707
Expenses recovered by Prepaid Financial Services Limited relating to obligations arising prior to EML ownership[3]	-	(3,707)
Software development costs	-	965
Office management	492	280
Marketing costs	218	96
Other	796	395
	1,935	**7,197**

[1] Information technology expense of £1,241,000 has been disclosed separately from Other expenses for the period 1 January 2020 to 30 June 2021 in the Statement of Profit or Loss and Other Comprehensive Income to conform with current years presentation.

[2] The Intercompany transfer pricing charge relates to intra-group services being management and general services between the Company and PFS Card Services Ireland Limited, a related party. The Company is subject to gains and losses on transactions and balances with both suppliers and customers that are not denominated in the company's reporting currency (GBP). For the financial year ended 30 June 2022, this is a revenue item, refer to Note 3.

[3] During the financial period ended 30 June 2021, costs of £3,707,000 were incurred and identified as relating to obligations pre-EML ownership. These costs are non-recurring in nature and have been recovered from the vendors on a non-margin basis.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 7: Corporation tax expense	**30 June 2022**	**1 Jan 2020 to 30 June 2021**
	£'000	**£'000**
(a) Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Current corporation tax expense	(1,471)	(1,668)
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	(108)	226
Effect of changes in tax rates	34	(75)
Current corporation tax from prior year	468	(337)
Corporation tax expense	**(1,077)**	**(1,854)**
(b) Reconciliation between income tax expense and Profit before income tax		
Profit on ordinary activities before tax	7,695	6,422
Expected tax using corporation tax rate of 19% (2021: 19%)	(1,462)	(1,220)
Effects of:		
Expenses not deductible for tax purposes	-	(204)
Transfer pricing adjustment	-	(18)
Adjustments in respect of prior periods	237	(337)
Effect of changes in tax rates	34	(75)
Non-taxable income	35	-
Other	79	-
Tax expense on profit on ordinary activities	**(1,077)**	**(1,854)**
(c) Deferred tax assets/(liabilities)		
Deferred tax asset		
Other	17	-
	17	-
Deferred tax liability		
Plant and equipment	(405)	(314)
Net deferred tax liability	**(388)**	(314)

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Current income tax
The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax
Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax. The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Factors that may affect future tax charges

The Company is subject to UK corporation tax. Therefore, the tax rate used for current tax on profit for the current year was 19% (2021: 19%). A rate increase will be taking effect in April 2023, and applicable to the Company from 1 July 2023, when it will increase to 25%. Deferred tax has been derived using the 19% or 25% rate depending on when the timing differences are expected to be realised.

Note 8: Cash and cash equivalents	30 June 2022 £'000	30 June 2021 £'000
Cash at bank	4,985	8,060

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

For the purposes of the Statement of Cash Flows, cash and cash equivalents are as defined above.

Note 9: Reconciliation of operating cashflows	30 June 2022 £'000	1 Jan 2020 to 30 June 2021 £'000
Profit after income tax	6,618	4,568
Add: non-cash items		
Depreciation and amortisation	1,753	2,588
Expenses recovered from the vendors	-	3,707
Discount on unwinding of leases	-	32
Fair value gain on financial asset held at fair value	-	(185)
Net foreign exchange differences	24	(598)
Amortisation of bond portfolio	682	1,068
Bad debt provision	17	-
Intercompany expenses	(4,015)	-
Change in operating assets and liabilities		
(Increase)/ decrease in trade and other receivables	(1,346)	2,001
(Increase)/ decrease in other current assets	(116)	(266)
(Increase)/ decrease in contract assets	(7,249)	-
(Increase)/ decrease in current tax	(717)	(362)
(Increase)/ decrease in deferred tax asset	17	-
(Increase)/ decrease in segregated assets and bond investments	(48,595)	-
(Decrease)/Increase in trade and other payables	(137)	(2,726)
Increase/ (decrease) in liabilities to stored value account holders	33,003	(8,192)
Increase/ (decrease) in other liabilities	205	-
(Decrease)/Increase in employee benefits	(32)	32
(Decrease)/Increase in deferred tax liabilities	74	186
Net cash (used in)/generated from operating activities	**(19,814)**	**1,852**

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 10: Contract assets	30 June 2022 £'000	30 June 2021 £'000
Current		
Contract assets	1,320	-
Non-current		
Contract assets	5,929	-

Contract assets are rights to consideration in exchange for services provided to the cardholder. Where the Company performs services before the cardholder pays consideration, a contract asset is recognised for the earned consideration that is conditional. Where the Company expects to be entitled to variable consideration and can demonstrate the ability to reliably measure cardholder redemption patterns, the Company will recognise a contract asset in proportion to the pattern of rights exercised by the cardholder. Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. The Company will only recognise an asset when it expects to be entitled to the revenue and can demonstrate the ability to reliably measure cardholder redemption patterns. The value recognised is in proportion to the pattern of rights exercised by the cardholder. Contract assets are generated from the revenue categories of Account management fees. Contract assets are subject to the expected credit loss assessment under IFRS 9. The Company directly holds the cardholder assets and can directly withdraw the consideration when eligible. The credit risk associated with these balances is contained to the associated financial institution which holds the funds on deposit. Therefore, due to the nature of this balance no expected credit loss has been recognised.

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

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

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

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 11: Trade and other receivables	30 June 2022 £'000	30 June 2021 £'000
Trade receivables	5,017	1,732
Other receivables	-	1,957
	5,017	**3,689**

Trade and other receivables are initially recognised at fair value and thereafter, stated at amortised cost using the effective interest method less impairment losses for bad and doubtful debts. Refer to Note 20 on the assessment of ECL.

Note 12: Segregated funds and bond investments	30 June 2022 £'000	30 June 2021 £'000
Current		
Cash held with financial institutions	156,767	181,558
Bond investments	115,506	72,101
	272,273	**253,659**
Non- current		
Bond investments	167,742	138,691

Segregated funds represent funds on deposit with a financial institution in respect of stored value accounts issued by the Company that have in turn been funded by external account holders. The liability to the external account holders is disclosed in Note 13.

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

The fair value of the portfolio as at 30 June 2022 was £281,179,000 (2021: £213,393,000).

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

The below table indicates the balance ownership for the bond investments:

	30 June 2022 £'000	30 June 2021 £'000
Assets of stored value from account holders	280,732	207,975
Assets of Prepaid Financial Services Limited	2,516	2,817
	283,248	**210,792**

Note 13: Liabilities to stored value account holders	**30 June 2022 £'000**	**30 June 2021 £'000**
Liabilities to stored value account holders	**437,499**	**404,713**

Liabilities to stored value account holders represents funds received for stored value accounts issued by the Company that have in turn been deposited by the Company with a financial institution. Segregated funds are disclosed in Note 12.

Note 14: Intangible assets	**Software £'000**	**Customer Contracts £'000**	**Total £'000**
Year ended 30 June 2022			
At 1 July 2021, net of accumulated amortisation	**3,425**	**878**	**4,303**
Additions	509	10	519
Amortisation charge for the year	(1,282)	(428)	(1,710)
At 30 June 2022, net of accumulated amortisation	**2,652**	**460**	**3,112**
At 30 June 2022			
Cost	7,304	3,210	10,514
Accumulated amortisation	(4,652)	(2,750)	(7,402)
Net carrying amount	**2,652**	**460**	**3,112**

Notes to the Financial Statements (continued)

	Software £'000	Customer Contracts £'000	Total £'000
Period ended 30 June 2021			
At 1 January 2020, net of accumulated amortisation	3,335	1,838	5,173
Additions	1,369	-	1,369
Amortisation charge for the period	(1,279)	(960)	(2,239)
At 30 June 2021, net of accumulated amortisation	**3,425**	**878**	**4,303**
At 30 June 2021			
Cost	6,795	3,200	9,995
Accumulated amortisation	(3,370)	(2,322)	(5,692)
Net carrying amount	**3,425**	**878**	**4,303**

i) Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. The estimated useful lives are as follows:

- Software 5 years
- Customer contracts 5 years

ii) Impairment of intangible assets
The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value.

In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Note 15: Trade and other payables	30 June 2022 £'000	30 June 2021 £'000
Trade payables	984	936
Accrued expenses	1,847	2,144
VAT liability [1]	548	2,558
Other payables	138	47
	3,517	5,685

(1) During the financial period ended 30 June 2021, an additional VAT liability was identified relating to prior period VAT corrections. It is non-recurring in nature.

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

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

Note 16: Provisions

	30 June 2022 £'000	30 June 2021 £'000
Regulatory matters	2,951	920

The Company recognises provisions for matters where an economic outflow of resources as a result of events occurring prior to the reporting date is probable and can be reliably measured utilising information that is known as at the reporting date.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. Where a reimbursement is agreed, the expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Financial Conduct Authority (FCA) Correspondence

In October 2022, the Company agreed to temporarily cease onboarding new customers, agents and distributors following these concerns raised by the FCA. These measures will allow the Company to address concerns highlighted by the FCA primarily in relation to the risk and control frameworks and governance. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of the matter including professional advisory services to facilitate the remediation. As at 30 June 2022, the Company has a provision of £2,951,000 (30 June 2021: nil) in relation to the above matter. Additional costs may be incurred consequential to this matter, which are unknown or do not meet the criteria to be provided at 30 June 2022 which have been identified as contingent liabilities, refer Note 25.

Payment Services Regulator (PSR) Correspondence

In February 2018, the PSR under the United Kingdom jurisdiction notified the Company that it had commenced an investigation. The Company has agreed a settlement of £920,000 to the PSR. The full settlement amount has been paid during the financial year ended 30 June 2022.

KEY SOURCES OF ESTIMATION UNCERTAINTY - REGULATORY MATTERS PROVISION

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

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

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

	Regulatory provision £'000
Carrying amount at 30 June 2020	-
Additional provision recognised	920
Carrying amount at 30 June 2021	920
Amounts paid during the year	(920)
Additional provision recognised	2,951
Carrying amount at 30 June 2022	**2,951**

Note 17: Financial asset

	30 June 2022 £'000	30 June 2021 £'000
Investment in Visa shares	**341**	355

The Company holds Series B preferred stock in Visa Inc. as part of the consideration for its holding of shares in Visa Europe. The preferred stock will be convertible into Class A common stock of Visa Inc. at a later point in the future. The conversion is subject to certain Visa Europe litigation risks that may affect the ultimate conversion rate. In addition, the stock being denominated in US dollars is subject to foreign exchange risk. The option held is restricted from sale or transfer until the vesting date in 2028.

During the financial year ended 30 June 2022, a fair value gain of £156,000 was recognised in other expenses (2021: £184,000).

Comparative information

During the financial year ended 30 June 2022, the financial asset was grossed up to 100% of the fair value of the asset with 50% recorded as a liability to reflect third party share in the asset value. Prior financial year comparatives have been adjusted to reflect current financial years presentation as follows:

	30 June 2021 £'000 As currently presented	30 June 2021 £'000 As previously presented
Investment in Visa shares	**355**	185
Other liabilities	**(170)**	-

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 17: Financial asset (continued)

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

	30 June 2022 £'000	**30 June 2021 £'000**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable inputs**	**Relationship of unobservable inputs to fair value**
Visa Inc. shares	341	355	Level 3	Quoted market price of Visa Inc, class A common stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. This was converted at the year-end exchange rate.	The final conversion rate of Visa Inc. Series B preferred stock into Visa Inc. class A common stock.	A decrease in conversion rate would result in a decrease in the fair value.

Note 18: Issued capital	**30 June 2022 £'000**	**30 June 2021 £'000**
Issued capital		
14,338,472,192 fully paid ordinary shares (2021: 6,040,098,000)	**20,167**	6,040

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called otherwise each shareholder has on vote on a show of hands.

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

Movements in Issued capital	**No.**	**£'000**
Balance at 1 January 2020	100,002,000	100
Capital injection as at 30 June 2020	5,940,096,000	5,940
Balance at 30 June 2021	**6,040,098,000**	**6,040**
Cash injection as at 9 August 2021	14,126,588,000	14,127
Balance at 30 June 2022	**20,166,686,000**	**20,167**

Note 19: Employees and remuneration

The average monthly number of employees (including the Directors) during the financial year was 50 (1 Jan 2020 to 30 June 2021: 40). The costs associated with these employees were:

	30 June 2022	30 June 2021
	£'000	£'000
Wages and salaries	3,675	3,289
Pension costs	123	84
Social security costs	286	407
Other costs	103	166
	4,187	**3,946**

Refer to Note 21 for details of Directors remuneration paid throughout the year.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments

i. **Overview**

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

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

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

	Classification	30 June 2022 £'000	30 June 2021 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	4,985	8,060
Trade and other receivables	Amortised cost	5,017	3,689
Segregated funds and bond investments	Amortised cost	440,016	253,659
Intercompany receivable	Amortised cost	10,334	7,102
Financial asset	FVTPL	341	355
Financial liabilities			
Trade and other payables (1)	Amortised cost	2,969	3,127
Liabilities to stored value account holders	Amortised cost	437,499	404,713
Intercompany payable	Amortised cost	2,590	178
Lease liability	Amortised cost	717	64

(1) VAT payable under Trade and other payables of £548,000 as at 30 June 2022 (30 June 2021: £2,558,000) is not considered a financial liability per IAS 32.11 because it is not a contractual obligation and has been excluded.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: *Financial Instruments* (*continued*)

ii. Financial Risk Management

This section presents information about the Company's exposure to financial risks including credit, liquidity and market risks.

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

iii. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities. Customers who wish to trade on credit terms are subject to strict verification procedures in advance of credit being awarded and are continually being monitored. At the balance date there were no significant concentrations of credit risk.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is in accordance with the parent entity's policy. Investments of surplus funds are made only with approved Authorised Deposit Institutions (ADIs) with an acceptable credit rating up to a 12-month term. Expected credit losses on cash and cash equivalents have been measured on a 12-month expected loss basis which has been adjusted for liquidity. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings. As at 30 June 2022 this is considered to be £Nil (2021: £Nil).

Trade and other receivables

Outstanding customer receivables are generated by transaction and service-based revenue and is regularly monitored.

The Company has had £1,003,000 (2021: £356,000) of trade receivables that are past due and not impaired. Historically, the Company has had insignificant bad debts, resulting in an insignificant expected credit loss amount.

Trade and other receivables – Impairment

The Company has adopted the simplified approach of 'IFRS 9, Financial instruments'. Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. These will not be considered an expected credit loss if the Company controls an offsetable client share of breakage payable covering the outstanding amount. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Note 20: Financial Instruments (continued)

Segregated funds and bond investments

The Company recognises segregated funds and bond investments to an offsetting liability to client fund assets. Segregated funds represent client funds received in exchange for electronic money that has been issued by the Company. Segregated client funds and the corresponding client fund liabilities are utilised in the same proportion. Therefore, the only credit risk relates to the financial institution which holds the client funds on deposit.

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

Intercompany receivable

Intercompany loans between the Company and other 100% owned EML entities relate to general operational trading expenses where the costs are recharged to the Company. The credit risk is considered to be low.

iv. Liquidity Risk

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

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

a) Maturity analysis for non-derivative financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

Contractual maturities of financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2+ years £'000
30 June 2022						
Trade and other payables	3,517	3,517	3,517	-	-	-
Liabilities to stored value account holders [1]	437,499	437,499	-	-	-	-
Intercompany payable	2,590	2,590	2,590	-	-	-
Lease liability	717	717	63	85	148	421
Total	**444,323**	**444,323**	**6,170**	**85**	**148**	**421**
30 June 2021						
Trade and other payables	5,685	5,685	5,685	-		
Liabilities to stored value account holders [1]	404,713	404,713	-	-		
Intercompany payable	178	178	178	-		
Lease liability	64	64	64	-		
Total	**410,640**	**410,640**	**5,927**	-		

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

v. Market Risk

Most of the Company's activities are carried out in the UK. The main market risk that the Company is exposed to is Interest rate risk and currency risk.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

a) Interest Rate Risk

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

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

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

Cash flow sensitivity analysis for variable rate instruments:

	Profit or loss		Equity	
	100 BP increase £'000	100 BP decrease £'000	100 BP increase £'000	100 BP decrease £'000
30 June 2022				
Cash and cash equivalents	50	(50)	50	(50)
Segregated funds-cash held with financial institutions	1,568	(1,568)	1,568	(1,568)
30 June 2021				
Cash and cash equivalents	81	(81)	81	(81)
Segregated funds-cash held with financial institutions	1,816	(1,816)	1,816	(1,816)

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

(b) Currency Risk

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

It is the policy of the Company to enter into forward exchange contracts to cover specific material foreign currency exposures that will impact the Company's cash flow. As at 30 June 2022, the Company had no outstanding forward exchange contracts (2021: Nil).

vi. Capital management

Capital is defined as the equity of the Company.

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

Under the EMRs the company must comply with the following capital requirements.

- For electronic money issuance - maintain a minimum amount of own funds (capital) equal to 2% of the average amount of outstanding electronic money ("Method D")

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

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

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

vii. Financial Instruments Accounting Policy

Financial Instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition
Financial assets are initially measured at fair value and subsequently measured as either amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Amortised cost (debt instruments)
- Fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Fair value through profit or loss.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Company holds any financial assets designated as fair value through profit or loss, refer to Note 17 and Note 26.4.

Derecognition of Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Initial recognition

Financial liabilities are classified and measured at amortised cost and all are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 20: Financial Instruments (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Derecognition of Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 21: Related party disclosures

a) Parent entity

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

Ultimate controlling party

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

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

b) Transactions with key management personnel ("KMP")

Directors' remuneration	**30 June 2022** **£'000**	**30 June 2021** **£'000**
Directors' remuneration	199	247
Directors' pension costs	8	6
	207	**253**

The highest paid director for the year ended 30 June 2022 is outlined in the table below:

Salary **£'000**	**Pension** **£'000**	**Total** **£'000**
130	5	135

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

	30 June 2022 **£'000**	**30 June 2021** **£'000**
Intercompany loan receivable		
Prepaid Financial Services (Ireland) Limited	9,942	5,297
Other related parties	410	1,805
	10,334	**7,102**
Intercompany loan payable		
Prepaid Financial Services (Ireland) Limited	(2,500)	-
Other related parties	(90)	178
	(2,590)	**2,186**

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 21: Related party disclosures (continued)

There were intercompany loans between Prepaid Financial Services Limited and other 100% owned EML entities. The intercompany balance due to the Company from Prepaid Financial Services (Ireland) Limited relates to expenses and investments that were recharged to the Company.

d) Transactions with related parties

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

	30 June 2022 £'000	30 June 2021 £'000
Intercompany transfer pricing fee, refer to Note 6	-	4,819
Revenue from related party management fees, refer to Note 3	(4,015)	-
Intercompany management fee	2,211	-
Capital injections, refer to Note 18	-	5,940
Intercompany transfer pricing fee - Other	382	-
Recharge of information technology related costs - Other	(33)	-
Employee entitlements expense - Other	339	-
Employee entitlements expense - Parent	30	-
Costs of goods sold - Other	(20)	-
Other expenses – Other	(118)	65
	(1,224)	10,759

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

Notes to the Financial Statements (continued)

Note 22: Subsequent events

In August 2022, the Company repaid 5,111,638,000 of share capital at £0.001 to reduce number of fully paid ordinary shares to 15,055,048,000.

In October 2022, the Company agreed to temporarily cease onboarding new customers, agents and distributors following concerns raised by the UK regulator, the FCA. These measures will allow the Company to address concerns highlighted by the FCA primarily in relation to the risk and control frameworks and governance. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

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

Note 23: Going concern

In October 2022, the Company agreed to temporarily cease onboarding new customers, agents and distributors following concerns raised by the UK regulator, the FCA. Whilst this has impacted the Company's ability to grow with new customers, it expects to continue growth with existing customers and will focus on new customers again once the remediation is completed. The Company is able to meet its current and future cash flow commitments without relying on further growth of new business.

On an annual basis, the Directors review the appropriateness of preparing the financial statements under the going concern principle for a period of at least 12 months from the date of approval of the financial statements. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Directors have considered the principal risks and uncertainties that could impact its business model.

The Directors monitor short-term and long-term forecasts to ensure that the Company has adequate working capital to continue in operational existence for the foreseeable future. The Directors have considered among other things, principal risks and uncertainties facing the business (as outlined in the principal risks and uncertainties section), and monitor on a monthly basis the Company's capital levels against the minimum requirements set out in the regulations. This has resulted in the requirement for a capital injection from the Company's shareholder at 30 June 2022.

Having taken into consideration the above matters, along with the receipt of a letter of support from the ultimate parent company (EML Payments Limited), the Directors believe it appropriate to prepare the financial statements using the going concern principle.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 24: Auditor's remuneration

During the financial year, the following fees were paid or payable for services provided by Deloitte LLP as the auditor of the Company. The audit fee was paid by a related party.

	30 June 2022	30 June 2021
	£'000	£'000
Audit of financial statements	74	70

Note 25: Contingent liabilities

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

Financial Conduct Authority (FCA) Correspondence
In October 2022, the Company agreed to temporarily cease onboarding new customers, agents and distributors following these concerns raised by the FCA. These measures will allow the Company to address concerns highlighted by the FCA primarily in relation to the risk and control frameworks and governance. The Company's agreement to cease onboarding will remain in place until the FCA is satisfied that the Company has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of the matter including professional advisory services to facilitate the remediation. As at 30 June 2022, the Group has a provision of £2,951,000 (30 June 2021: Nil) in relation to the above matter, refer Note 16. Additional costs may be incurred consequential to this matter such as additional costs or for regulatory fines, which are unknown or do not meet the criteria to be provided at 30 June 2022.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 26: Significant accounting policies

26.1 Basis of preparation

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

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

26.2 Adoption of new and revised standards

The Company has adopted all the new and revised Standards and Interpretations issued by IASB that are relevant to its operations and effective for the current financial year.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the business and therefore, no change is necessary to the Company's accounting policies for the period ended 30 June 2022.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Outlined below are the accounting standards and interpretations that have been issued but are not yet effective. Once effective, it is not expected any of these standards or interpretations to result in a material change to the Company.

Standards/Interpretations	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	30 June 2023
Reference to the Conceptual Framework- Amendments to IFRS 3	1 January 2022	30 June 2023
Classification of liabilities as current or non-current- Amendments to IAS 1	1 January 2023	30 June 2024

26.4 Fair Value Measurement

The Company measures financial instruments such financial assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In a principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2- Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable
- Level 3- Inputs are unobservable for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The Company does not have any financial assets that are categorised as Level 1 or Level 2 and there has been no movement between levels of the fair value hierarchy during the year.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Trade and other receivables- Note 11
- Financial assets- Note 17

26.5 Critical accounting estimates and judgments

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

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

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

- AMF, refer to Note 2.

The critical accounting estimates for the financial year include:

- Regulatory matters provision amount, refer to Note 16.

26.6 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.