Prepaid Financial Services Limited

Registered number: 06337638

Annual report and Financial statements
For the period 1 January 2020 to 30 June 2021

Prepaid Financial Services Limited
Contents

Prepaid Financial Services Limited

Corporate Information

Directors

Lorraine Buhagiar (appointed 24 November 2021)
Andrew Betts (appointed 31 March 2020)
Tom Cregan (appointed6 October 2021, resigned 24 November 2021)
Lee Britton (resigned 29 October 2021)
Noel Moran (resigned29 June 2021)
Oren Haim Rose (resigned 31 March 2020)
Valerie Willis (resigned 31 March 2020)

Company Secretaries

Sonya Tissera-Isaacs (appointed 18 March 2022)
Niamh Duddy (appointed 17 January 2022, resigned 18 March 2022)
Cathal Smyth (appointed 19 July 2021, resigned 7 January 2022)
Sonya Tissera-Isaacs (appointed 7 January 2022, resigned 17 January 2022)

Registered office

4th Floor 35 Great St. Helen's
London
EC3A 6AP

Independent Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
England
B1 2HZ

Bankers

Allied Irish Bank
9-10 Angel Court
London
W1K5JH

Barclays
One Churchill Place,
London
E14 5HP

Corporate Information (continued)

Solicitors	Eversheds Sutherland 1 Wood Street London EC2V7WS Keystone Law 53 Davies Street London W1K5JH
Registered number	06337638

Prepaid Financial Services Limited

Strategic report

For the financial period 1 January 2020 to 30 June 2021.

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

On 31 March 2020, EML Payments Limited ("EML"), a company listed on the Australian stock exchange acquired 100% of the share capital of Prepaid Financial Services (Ireland) Limited, the parent company of Prepaid Financial Services Limited. The Company's year-end was changed during 2020 to align to that of the ultimate parent Company (EML). Therefore, the financial period is 18 months ended 30 June 2021 with the prior year comparative period being 12 months to 31 December 2020.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time, to align with the accounting framework adopted by its parent entity, EML Payments Limited. Previously the financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").*

During the financial period and following the withdrawal of the United Kingdom ("UK") from the European Union ("Brexit"), the trading entity in the UK, Prepaid Financial Services Limited during December 2020, transferred a portion of the Business assets and liabilities to PFS Card Services Ireland Limited. This was to ensure continuity of service for customers resident in the European Economic Area, and solely to ensure compliance with regulatory requirements (see Director's report for further information).

Review of the business

The company is a leading 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 NGO bodies.

Business performance review

In relation to the financial performance, revenue for the 18 months to June 2021 of £43,792,000, increased by 27% (2019: £34,369,000) mainly driven by the current financial period being 18 months compared to 12 months in 2019.

Prepaid Financial Services Limited continues to outsource some of its operations to PFS Card Services Ireland Limited and Spectre Technologies Limited. These companies are members of the PFS Group. During the financial period, the Company became aware of a prior period error in connection with the accelerated conversion to cash and revenue of dormant funds, prior to what is permissible under the regulations. The correction has impacted the comparative balance sheet as at 31 December 2019 and 31 December 2018, refer to Note 22 for further details.

Strategic report (continued)

Principal risks and uncertainties
The Company faces operational risks detailed in the Directors' report on page 10, along with financial risks detailed within Note 18 of financial instruments and risk management.

Future developments
The Directors of the Company are satisfied with the financial performance and financial position of the Company during the period and expect the Company to make profits for the foreseeable future. The Company is closely monitoring and responding to the developments concerning the outbreak of COVID-19. At the time of signing these financial statements there remains uncertainty regarding the impact of the COVID-19 pandemic.

We will continue to monitor developments and respond as appropriate.

Approved by the board and authorised for issue on 31 March 2022

On behalf of the board

Lorraine Buhagiar	Andrew Betts
Director	Director
31 March 2022	31 March 2022

Prepaid Financial Services Limited

Directors' Report

The Directors present their Directors' report and the audited financial statements for the financial period from 1 January 2020 to 30 June 2021.

These financial statements include the 18-month results from 1 January 2020 to 30 June 2021 with a comparative period that includes the 12-month results for the period 1 January 2019 to 31 December 2019.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time, to align with the accounting framework adopted by its parent entity, EML Payments Limited. Previously the financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").* Details of the transition to IFRS are set out in Note 25.2

Principal activities and business review

The Company is a leading 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 an issuer of prepaid cards, payment disbursements and bank accounts throughout the United Kingdom. Key clients include blue-chip financial institutions, non-financial corporates, SMEs FinTech companies, public sector and NGO bodies.

The Company has a Spanish branch that operates outside of the UK. This branch is expected to wind up by financial year ended 30 June 2022.

During the year ended 31 December 2019, the Company paid a GBP 9,005,000 dividend to its parent entity; Prepaid Financial Services Ireland Limited. During the financial period ended 30 June 2021, the Company became aware of historical deficiencies in connection with the accelerated conversion to cash and revenue of dormant funds and expired e-money accounts. The Company has restated the prior year comparative financial statements as at 31 December 2019 and 31 December 2018 to correct for this error (refer to Note 22). Consequently, the Company had insufficient restated distributable profits available for the 2019 dividend distribution, causing the dividend to be considered illegal. The deficit in accumulated reserves as a consequence of the distribution has subsequently been reversed through the recognition of profits in the current period.

Details of future developments are set out in the Strategic Report.

Brexit:
As a result of the withdrawal of the United Kingdom from the European Union, the Company, with effect from 11 pm GMT on 31 December 2020 was no longer authorised to issue electronic ("e-money") or provide payment services to customers located in member states of the European Economic Area ("EEA").

Prepaid Financial Services Limited

Directors' Report (continued)

To ensure continuity of service for cardholders' resident in the EEA, during December 2020, the Company transferred certain assets and liabilities to PFS Card Services Ireland Limited (PCSIL) a related entity domiciled in Ireland and authorised to issue e-money and provide payment services to the Customers and Cardholders.

The transfer was undertaken for the sole reason of continued compliance with regulatory requirements for the issuance of e-money and provision of payment services in the European Economic Area and any transfers are undertaken only to the extent necessary to comply with such regulatory requirements.

This transfer impacted the results of business during the period, which can be seen in the the Statement of Profit or Loss and Other Comprehensive Income on page 13.

Covid-19:
The Coronavirus (COVID-19) pandemic was present for the majority of the 18-month period ended 30 June 2021. While the Company's priorities have been to minimise disruption to customers and to protect employees, the measures taken to contain the spread of the virus have had a significant impact on businesses during the period due to a decline in load volumes during lockdown, which resulted in lower spend, coupled with the impact of the closure of international travel.

Results and dividends

The following are the key performance indicators for the Company:

- Profit before tax for the period ended 30 June 2021 was £6,422,000 (2019: Loss of £1,014,000), as detailed in the Statement of Profit or Loss and Other Comprehensive Income;
- Revenue for the year decreased by 27% from prior financial year,driven by the impact of Brexit along with the current period being 18 months compared to the prior year of 12 months, refer below for further commentary;
- Net assets as at 30 June 2021 were £7,143,000 (2019: net liability position of £3,365,000) and included a cash balance of £8,060,000 (2019: £928,000).

No dividends were paid or proposed during the period (2019: interim dividend £9,005,000).

Directors and secretary and their interests

The Directors and secretaries 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)
Tom Cregan, Director (appointed 6 October 2021, resigned 24 November 2021)
Andrew Betts, Director (appointed 31 March 2020)
Lee Britton, Director (resigned 29 October 2021)
Noel Moran, Director (resigned on 29 June 2021)
Oren Haim Rose, Director (resigned 31 March 2020)
Valerie Willis, Director (resigned 31 March 2020)

Prepaid Financial Services Limited

Directors' Report (continued)

Sonya Tissera- Isaacs, Secretary (appointed 18 March 2022)
Niamh Duddy, Secretary (appointed 17 January 2022, resigned 18 March 2022)
Cathal Smyth, Secretary (appointed 19 July 2021, resigned 7 January 2022)
Sonya Tissera- Isaacs, Secretary (appointed 7 January 2022, resigned 17 January 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.

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Constitution.

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 and EML Group Board 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 18.

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.

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.

COVID-19 risk
During the 18-month period ended 30 June 2021, the Coronavirus (COVID-19) pandemic began and was still ongoing which impacted the Company from March 2020 to June 2021. Throughout the period, the Company has continued to monitor the effects of COVID-19 on business operations. To respond to COVID-19 challenges, management have and will continue to:

- Update its economic outlook to prepare forward estimate forecasts
- Evaluate the Company's liquidity by assessing the net current asset and net asset position both at balance date and subsequently;
- Re-evaluate material areas of judgement and uncertainty.

Directors' 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 actively engaged with the FCA in relation to a number of matters, most notably the injection of funds into the UK client fund safeguarded accounts as well as the impact on capital as a result of the correction of the prior year error. The Company is in the process of implementing a robust framework to manage compliance risk 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 18 for further information on capital management).

Research and development

The Company did not incur any research and development costs in the financial period ending 30 June 2021 (2019: £Nil).

Qualifying third party indemnity provisions

The Directors have the benefit of the indemnity provisions contained in the Company's article of association ('Articles'), and the Company has maintained throughout the year Directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force as of the date of this report.

Disclosure of information to auditor

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 S418 of the Companies Act 2006.

Directors' Report (continued)

Post balance sheet events

During the preparation of the financial statements for the year ended 30 June 2021, the Company identified an issue in relation to client funds safeguarded accounts. The issue related to the accelerated conversion to cash and revenue of dormant funds and expired e-money account prior to six years after the expiry of the account or card. A prior year adjustment has been made and the correction has impacted the prior year comparative financial statements as at 31 December 2019. The issue relates to a period prior to the Company's acquisition by EML Payments Limited on 31 March 2020.

After the balance date, EML Payments Limited provided a capital injection of £14,126,588 to the Company to meet capital requirements and fund the shortfall in the safeguarded asset account (refer to Note 22).

Going concern

On an annual basis, the Directors review the appropriateness of preparing the Company's financial statements under the going concern principle for a period of 12 months from the date of approval of the financial statements. The Directors consider the following to ensure that the Company and its wholly owned subsidiaries has adequate working capital to continue in operational existence for the foreseeable future.

- Cash requirements in the short-term and long-term;
- Updated its economic outlook to prepare forward estimate forecasts after reviewing external market, key customers, suppliers and public forecasts that assume recovery over a period of time from FY22 and considering experience from previous downturns;
- Short-term and long-term profit and loss forecasts;
- Evaluated the Company's liquidity by assessing the net current asset and net asset position at balance date;
- Considered the letter of support provided by EML to ensure the Company can continue to meet its obligations for the next 12 months.

Where required, liquidity requirements will be funded by the parent entity; EML Payments Limited in the form of a letter of support to ensure that appropriate funding will be provided to enable the business to continue to meet its liabilities as they fall due. The Directors have considered the ability of EML Payments Limited to provide relevant support and are satisfied that they are in a position to do so. Based upon the assessment performed, the Directors determine it appropriate to prepare the financial statements using the going concern principle.

Prepaid Financial Services Limited

Directors' Report (continued)

Auditor

In accordance with Section 485 of the Companies Act 2006, the auditor, Deloitte LLP, was appointed as new auditors from 26 June 2020 and have indicated their willingness to continue in office. The previous auditors were GBW, Chartered Certified Accountants and Statutory Auditors who resigned on 26 June 2020.

Approved by the board and authorised for issue on 31 March 2022

On behalf of the board

Lorraine Buhagiar	Andrew Betts
Director	*Director*
Date: 31 March 2022	Date: 31 March 2022

Prepaid Financial Services Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) to be in line with the parent entity; EML's accounting treatment.
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 assets, liabilities and financial position of the Company as at the financial period end and of the profit or loss of the Company for the financial period and otherwise comply with Companies Act 2006.

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

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

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

Approved by the board and authorised for issue on 31 March 2022

On behalf of the board

Lorraine Buhagiar	Andrew Betts
Director	*Director*
Date: 31 March 2022	Date: 31 March 2022

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 25.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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.

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

Other information (continued)
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 directors' responsibilities statement, 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.

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 (including specific consideration of the illegal dividend set out on page 20), Corporation Tax Act (UK) and The Payment Services Regulations; 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team including relevant internal specialists such as tax, and IT 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 areas, and our specific procedures performed to address them are described below:

- the risk of inappropriate revenue amounts being recognised through manual journals: in response to this risk we tested the design and implementation of controls related to the review and approval of journal postings and tested a sample of journal entries to key revenue accounts that exhibited characteristics of audit interest that we determined could potentially be indicative of fraud.

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 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.

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 is 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.

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

Use of our report

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

S. Cumberbatch.

Stewart Cumberbatch, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
Birmingham, United Kingdom
31 March 2022

Statement of Profit or Loss and Other Comprehensive Income

For the financial period ended 30 June 2021

	Note	1 January 2020 to 30 June 2021 £'000	1 January 2019 to 31 December 2019 Restated (1) £'000
Revenue from contracts with customers	2	38,585	32,036
Interest income	3	5,207	2,333
Total revenue		**43,792**	**34,369**
Cost of sales		(16,897)	(13,483)
Gross profit		**26,895**	**20,886**
Expenses			
Employee benefits expense		(3,946)	(3,078)
Professional fees		(5,501)	(8,238)
Depreciation and amortisation expense		(2,588)	(1,454)
Other expenses	4	(8,438)	(9,129)
Total expenses		**(20,473)**	**(21,900)**
Profit/(loss) before taxation		**6,422**	**(1,014)**
Income tax expense	5	(1,854)	(493)
Net profit/(loss) for the period		**4,568**	**(1,507)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive profit for the period		**4,568**	**(1,507)**

(1) Refer to Note 22 for details regarding the restatement as a result of an error.

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021	31 December 2019 Restated (1)	31 December 2018 Restated (1)
	Note	**£'000**	**£'000**	**£'000**
Current Assets				
Cash and cash equivalents	*6*	8,060	8,044	4,099
Trade and other receivables	*7*	3,689	5,689	4,840
Other current assets		721	454	372
Segregated funds and bond investments	*8,22*	253,659	191,429	204,378
Intercompany receivable	*19*	7,102	6,153	10,427
Current tax receivable		2,435	2,073	798
Total Current Assets		**275,667**	**213,842**	**224,914**
Non-Current Assets				
Intangible assets	*10*	4,303	5,173	5,103
Plant and equipment and Right-of-use asset		204	60	79
Segregated funds and bond investments	*8,22*	138,691	259,131	149,165
Financial asset	*13*	184	-	-
Total Non-Current Assets		**143,382**	**264,364**	**154,347**
Total Assets		**419,049**	**478,207**	**379,261**
Current Liabilities				
Trade and other payables	*11*	5,685	7,271	9,550
Provision	*12*	920	2,658	-
Liabilities to stored value account holders	*9*	404,713	470,047	360,084
Intercompany payable	*19*	178	1,468	2,296
Employee benefits		32	-	-
Lease liability		64	-	-
Total Current Liabilities		**411,592**	**481,444**	**371,930**
Non-Current Liabilities				
Deferred tax liabilities	*5*	314	127	184
Total Non-Current Liabilities		**314**	**127**	**184**
Total Liabilities		**411,906**	**481,572**	**372,114**
Net Assets/ (Net liabilities)		**7,143**	**(3,365)**	**7,147**

Prepaid Financial Services Limited

Statement of Financial Position (continued)

As at 30 June 2021

	Note	**30 June 2021 £'000**	**31 December 2019 (1)(2) £'000**	**31 December 2018 (1)(2) £'000**
Equity				
Issued capital	*14*	6,040	100	100
Retained earnings/ (Accumulated losses)		1,103	(3,465)	7,047
Total Equity		**7,143**	**(3,365)**	**7,147**

(1) Refer to Note 22 for details regarding the restatement as a result of an error.
(2) Refer to Note 25.2 for details on the IFRS transition.

All on-demand liabilities to stored value account holders are classified as current liabilities, whereas a portion of the surplus segregated funds are classified as non-current. This results in the presentation of a net current liability position. Refer to Note 8.

The accompanying notes form part of these financial statements.

The financial statements of Prepaid Financial Services Limited (registered number: 06637638) were approved by the Board and authorised for issue on 30 March 2022

On behalf of the Board

Lorraine Buhagiar
Director
31 March 2022

Prepaid Financial Services Limited

Statement of Changes in Equity

For the period ended 30 June 2021

	Share capital	Retained earnings/ (Accumulated losses)	Total
	£'000	£'000	£'000
Reported balance at 31 December 2018	100	15,226	**15,326**
Correction of error (1)	-	(8,179)	**(8,179)**
Restated balance at 31 December 2018	**100**	**7,047**	**7,147**
Total comprehensive income			
Loss for the year (Restated (1))	-	(1,507)	**(1,507)**
Transactions recorded directly in equity			
Payment of dividends (Note 15) (2)	-	(9,005)	**(9,005)**
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 13)	5,940	-	**5,940**
Balance at 30 June 2021	**6,040**	**1,103**	**7,143**

(1) Refer to Note 22 for details regarding the restatement as a result of an error.

(2) During the year ended 31 December 2019, the Company paid a GBP 9,005,000 dividend to its parent entity; Prepaid Financial Services Ireland Limited. During the financial period ended 30 June 2021, the Company became aware of historical deficiencies in connection with the accelerated conversion to cash and revenue of dormant funds and expired e-money accounts. The Company has restated the prior year comparative financial statements as at 31 December 2019 and 31 December 2018 to correct for this error (refer to Note 22). Consequently, the Company had insufficient restated distributable profits available for the 2019 dividend distribution, causing the dividend to be considered illegal. The deficit in accumulated reserves as a consequence of the distribution has subsequently been reversed through the recognition of profits in the current period.

The accompanying notes form part of these financial statements.

Prepaid Financial Services Limited

Statement of Cash flows

For the period ended 30 June 2021

	Note	30 June 2021	31 December 2019
		£'000	£'000
Cash flows from operating activities			
Receipts from customers		40,586	33,656
Payment to suppliers and employees		(34,786)	(33,634)
Receipt from /(payment to) segregated funds and bond investment [1]		(7,125)	10,481
Interest received		5,207	2,333
Tax paid		(2,029)	(1,825)
Net cash generated by operating activities	*17*	**1,852**	**11,011**
Cash flows from investing activities			
Purchase of plant and equipment		(19)	-
Purchase of intangibles		(1,370)	(1,505)
Net cash used in investing activities		**(1,388)**	**(1,505)**
Cash flows from financing activities			
Proceeds from issue of shares		5,940	-
Payments for principal on lease liability		(441)	-
(Proceeds from)/repayment of loan from related party, net		(5,946)	3,446
Dividends paid		-	(9,005)
Net cash generated by/ (used in) financing activities		**(447)**	**(5,559)**
Net increase/(decrease) in cash held		17	3,945
Cash at beginning of financial year		8,044	4,099
Cash at end of financial year	*6*	**8,060**	**8,044**

(1) During the financial period, a payment of GBP 7,116,000 of cash and cash equivalents was made to Segregated funds and bond investments for the net value of bond premium paid. For the financial year ended 31 December 2019, GBP 10,479,000 of cash and cash equivalents was received from segregated funds and bond investments.

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 private company limited by shares incorporated in the United Kingdom (England and Wales). The registered address of the Company is Fifth Floor, Langham House, 12 Little Portland Street, Marylebone, London W1W8BJ and the registered number is 06337638.

Note 2: *Revenue from contracts with customers*	**1 January 2020 to 30 June 2021**	**31 December 2019 Restated [1]**
	£'000	**£'000**
Recurring revenue – Transaction-based revenue	30,223	25,784
Non-recurring revenue – Establishment revenue	8,362	6,252
	38,585 [2]	**32,036**

(1) Refer to Note 22 for details regarding the restatement as a result of an error.
(2) Refer to Note 24 for further information on the impact of Brexit.

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.

Recurring Revenue

The Company's recurring revenue including breakage revenue and transaction fees are categorised together due to their recurring nature. It is recorded net of commissions.

(i) Transaction-based revenue (Fixed consideration)

The Company generates fixed consideration from cardholder transactions. This revenue includes transaction fees and fees generated from interchange.

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 contracted terms.

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: Interest income	1 Jan 2020 to 30 June 2021 £'000	31 December 2019 £'000
Interest income - Bond investments	5,207	2,333

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 4: Other expenses	**1 Jan 2020 to 30 June 2021 £'000**	**31 December 2019 £'000**
Fixed sponsor bank and other related costs	1,391	1,736
Foreign exchange loss	(749)	(112)
Information technology related costs	1,241	1,344
Intercompany transfer pricing fee (2)	4,819	-
Expenses incurred by Prepaid Financial Services Limited relating to obligations arising prior to EML ownership (1)	3,707	-
Expenses recovered by Prepaid Financial Services Limited relating to obligations arising prior to EML ownership (1)	(3,707)	-
Software development costs	965	1,583
Other	771	4,578
	8,438	**9,129**

(1) During the financial year, 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.

(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).

Note 5: Corporation tax expense	1 January 2020 to 30 June 2021 £'000	1 January to 31 December 2019 Restated [1] £'000
(a) Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Current corporation tax expense	(1,668)	-
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	226	(493)
Effect of changes in tax rates	(75)	-
Under provision of corporation tax in prior year	(337)	-
Corporation tax (expense)/benefit	**(1,854)**	**(493)**
(b) Reconciliation between income tax expense and Profit before income tax		
Profit on ordinary activities before tax	6,422	(1,507)
Expected tax using corporation tax rate of 19% (2019: 19%)	(1,220)	(286)
Effects of:		
Expenses not deductible for tax purposes	(204)	(207)
Transfer pricing adjustment	(18)	-
Adjustments in respect of prior periods	(337)	-
Effect of changes in tax rates	(75)	-
Tax (expense)/benefit on profit on ordinary activities	**(1,854)**	**(493)**
(c) Deferred tax liability		
Temporary timing differences	314	127
	314	**127**

(1) Refer to Note 22 for details regarding the restatement as a result of an error.

Notes to the Financial Statements (continued)

Corporation tax

Tax on the profit or loss for the financial period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

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. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements (continued)

Note 6: Cash and cash equivalents	30 June 2021	31 December 2019 Restated (1) (2)	31 December 2018 (1) (2)
	£'000	£'000	£'000
Cash at bank	**8,060**	**8,044**	**4,099**

(1) Refer to Note 25.2 for further details on the transition to IFRS.
(2) £447,281,000 (2018: £353,543,000) has been reclassified from cash and cash equivalents to segregated funds and bond investments.

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.

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

Note 7: Trade and other receivables	30 June 2021	31 December 2019	31 December 2018
	£'000	£'000	£'000
Trade receivables	1,732	2,796	4,078
Other receivables	1,957	2,893	762
	3,689	**5,689**	**4,840**

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 except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts. Refer to Note 18 on the assessment of ECL.

Notes to the Financial Statements (continued)

Note 8: Segregated funds and bond investments	30 June 2021 £'000	31 December 2019 (1) £'000	31 December 2018 (1) £'000
Current			
Cash held with financial institutions	181,558	149,105	151,165
Bond investments	72,101	42,324	53,213
Non- current			
Bond investments	138,691	259,131	149,165

(1) £447,281,000 (2018: £353,543,000) has been reclassified from cash and cash equivalents to segregated funds and bond investments to clearly identify segregated funds.

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 9.

Bond investments are held at amortised cost and consists of the stored value from account holders that do not meet short term account holder cash needs and subsequently, are invested in high quality bonds.

The fair value, as determined by the quoted market price (i.e. level 1 of the fair value hierarchy) can fluctuate significantly based on conditions outside of the Company's control i.e. economic conditions. The fair value of the portfolio as at 30 June 2021 was £213,393,000 (2019: £248,640,000).

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

	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Assets of stored value from account holders	207,975	454,396	202,378
Assets of Prepaid Financial Services Limited	2,817	3,835	-
	210,792 (1)	**450,561**	**202,378**

(1) Refer to Note 24 for further information on the impact of Brexit.

Notes to the Financial Statements (continued)

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.

Note 9: Liabilities to stored value account holders	30 June 2021	31 December 2019	31 December 2018
	£'000	£'000	£'000
Liabilities to stored value account holders	**404,713**	470,047	360,084

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 8.

Note 10: Intangible assets	Software £'000	Customer Contracts £'000	Total £'000
Period ended 30 June 2021			
At 1 January 2020, net of accumulated depreciation	3,335	1,838	5,173
Additions	1,369	-	1,369
Depreciation charge for the period	(1,279)	(960)	(2,239)
At 30 June 2021, net of accumulated depreciation	**3,425**	**878**	**4,303**
At 30 June 2021			
Cost	6,795	3,200	9,995
Accumulated depreciation	(3,370)	(2,322)	(5,692)
Net carrying amount	**3,425**	**878**	**4,303**

Notes to the Financial Statements (continued)

Note 10: Intangible assets	**Software £'000**	**Customer Contracts £'000**	**Total £'000**
Year ended 31 December 2019			
At 1 January 2019, net of accumulated amortisation	4,100	1,003	**5,103**
Additions	55	1,450	**1,505**
Amortisation charge for the year	(820)	(615)	**(1,435)**
At 31 December 2019, net of accumulated amortisation	**3,335**	**1,838**	**5,173**
At 31 December 2019			
Cost	5,426	3,200	**8,626**
Accumulated amortisation	(2,091)	(1,362)	**(3,453)**
Net carrying amount	**3,335**	**1,838**	**5,173**

	Software £'000	**Customer Contracts £'000**	**Total £'000**
Year ended 31 December 2018			
At 1 January 2018, net of accumulated amortisation	-	1,353	**1,353**
Additions	4,100	-	**4,100**
Amortisation charge for the year	-	(350)	**(350)**
At 31 December 2018, net of accumulated amortisation	**4,100**	**1,003**	**5,103**
At 31 December 2018			
Cost	4,100	1,750	5,850
Accumulated amortisation	-	(747)	(747)
Net carrying amount	**4,100**	**1,003**	**5,103**

Notes to the Financial Statements (continued)

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.

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).

Notes to the Financial Statements (continued)

Note 11: Trade and other payables	30 June 2021	31 December 2019	31 December 2018
	£'000	£'000	£'000
Trade payables	936	537	4,824
Accrued expenses	2,144	2,507	1,127
VAT liability [(1)]	2,558	-	-
Commission payable	47	4,227	3,599
	5,685	**7,271**	**9,550**

(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 12: Provision

	30 June 2021	31 December 2019	31 December 2018
	£'000	£'000	£'000
Regulatory matter	**920**	**2,658**	-

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)

Note 12: Provision (continued)

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 and the parent entity have worked collaboratively with the regulator to resolve the issue, and while the investigation is ongoing, have agreed a settlement of £920,000 to the PSR however, no cash has been paid during the period ended 30 June 2021.

Autorité de Contrôle Prudentiel et de Resolution (ACPR)

On 24 September 2019, the French banking regulator ("ACPR") published an enforcement action against PFS and imposed a €1 million fine. The ACPR identified regulatory breaches by PFS, broadly relating to failures by PFS to carry out robust 'know your customer' processes and report suspicious transactions to the French regulator. No remediation or corrective measures were imposed by the ACPR in its decision but the ACPR may carry out further on-site inspections. The fine was paid in full in January 2020.

The below table reconciles movements in Provision during the financial period:

	Regulatory matter provision £'000
Carrying amount at 1 January 2020	2,885
Amounts released during the year	(1,080)
Amounts used during the year	(885)
Carrying amount at 30 June 2021	**920**

Notes to the Financial Statements (continued)

Note 13: Financial asset

	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Investment in Visa shares	**184**	-	-

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 period ended 30 June 2021, a fair value gain of £184,000 was recognised in other expenses (2019: £nil).

Notes to the Financial Statements (continued)

Note 13: Financial asset (continued)

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

	30 June 2021 £'000	**31 December 2019 £'000**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable inputs**	**Relationship of unobservable inputs to fair value**
Visa Inc. shares	184	-	Level 3	Quoted market price of Visa Inc, class A common stock to which a 50% discount (2019: 100% 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.

Notes to the Financial Statements (continued)

Note 14: Issued capital	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Issued capital			
6,040,098,000 fully paid ordinary shares (2019: 100,002,000)	**6,040**	100	100

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.

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	5,940
Balance at 30 June 2021	**105,942,096**	**6,040**

There were no movements in Issued capital in the financial years ended 31 December 2019 and 2018.

Note 15: Dividends	30 June 2021 £'000	31 December 2019 £'000
Interim dividend paid on ordinary shares	-	9,005

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 16: Employees and remuneration

The average number of employees (including the Directors) during the financial period was 40 (2019: 44). The costs associated with these employees were:

	30 June 2021 £'000	31 December 2019 £'000
Wages and salaries	3,289	2,700
Pension costs	84	65
Social security costs	407	304
Other costs	166	-
	3,946	**3,069**

Note 17: Reconciliation of operating cashflows	**1 January 2020 to 30 June 2021 £'000**	**1 January 2019 to 31 December 2019 £'000**
Profit/(loss) after income tax	4,568	(1,507)
Add: non-cash items		
Depreciation and amortisation	2,588	1,454
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	(598)	(112)
Change in operating assets and liabilities		
(Increase)/ decrease in trade and other receivables	2,001	10,398
(Increase)/ decrease in other current assets	(266)	(849)
(Increase)/ decrease in current tax	(362)	(1,275)
Increase/ (decrease) in trade and other payables	(2,726)	491
Increase/ (decrease) in liabilities to stored value account holders	(7,125)	2,465
Increase/ (decrease) in employee benefits	32	-
Increase/ (decrease) in deferred tax liabilities	186	(57)
Net cash generated from operating activities	**1,852**	**11,009**

Notes to the Financial Statements (continued)

Note 18: 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 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Financial assets				
Cash and cash equivalents	Amortised cost	8,060	8,044	4,099
Trade and other receivables	Amortised cost	3,689	5,689	4,840
Segregated funds and bond investments	Amortised cost	253,659	191,429	204,378
Intercompany receivable	Amortised cost	7,102	6,153	10,427
Financial liabilities				
Trade and other payables	Amortised cost	5,685	7,271	9,550
Liabilities to stored value account holders	Amortised cost	404,713	470,047	360,084
Intercompany payable	Amortised cost	178	1,468	2,296
Lease liability	Amortised cost	64	-	-

Notes to the Financial Statements (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 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	Sensitivity analysis	Maintain excess cash and cash equivalents in short term deposit at interest rates maturing over 90 days rolling period.

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.

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.

Trade and other receivables

Outstanding customer receivables are generated by transaction and service-based revenue and is regularly monitored. Historically, the Company has had insignificant bad debts, resulting in an insignificant expected credit loss amount.

The Company has had £356,000 (2019: £nil) of trade receivables that are overdue 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 recognises an allowance for expected credit losses (ECLs) for contract assets and all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company considers historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment when applying the ECL criteria.

Notes to the Financial Statements (continued)

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.

Segregated funds

The Company recognises segregated funds to an offsetting liability to stored value account. This category represents stored value accounts issued by the Company. Segregated funds and Liabilities to stored value account holders are utilised in the same proportion and therefore, the only credit risk is with the financial institution which holds the funds on deposit.

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.

Notes to the Financial Statements (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
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**	-
31 December 2019 (restated)				
Trade and other payables	7,271	7,271	7,271	-
Liabilities to stored value account holders [1]	470,047	470,047	-	-
Total	**477,318**	**477,318**	**7,271**	-
31 December 2018 (restated)				
Trade and other payables	9,550	9,550	9,550	-
Liabilities to stored value account holders [1]	360,084	360,084	-	-
Total	**369,634**	**369,634**	**9,550**	-

(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, particularly after Brexit. The main market risk that the Company is exposed to is Interest rate risk.

Prepaid Financial Services Limited

Notes to the Financial Statements (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 2021				
Cash and cash equivalents	81	(81)	81	(81)
Segregated funds	1,816	(1,816)	1,816	(1,816)
31 December 2019				
Cash and cash equivalents	80	(80)	80	(80)
Segregated funds	1,491	(1,491)	1,491	(1,491)
31 December 2018				
Cash and cash equivalents	41	(41)	41	(41)
Segregated funds	1,512	(1,512)	1,512	(1,512)

Notes to the Financial Statements (continued)

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")

As a result of the recognition of the prior period error of £15,778,000, the Company's reserves (and therefore capital) reduced significantly and resulted in a capital deficit. As soon as the Company became aware of the prior year error, to meet minimum capital requirements as required by the EMRs, a capital contribution, of £14,126,588, was received from the ultimate parent Company, EML Payments Limited (on 8th of August 2021). The FCA were notified in advance of the recognition of the prior period error and the impact on capital adequacy.

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.

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.

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.

Notes to the Financial Statements (continued)

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.

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 13 and Note 24.7.

Notes to the Financial Statements (continued)

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, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities 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.

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 fiancé costs in the Statement of Profit or Loss.

Notes to the Financial Statements (continued)

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.

Note 19: Related party disclosures

a) Parent entity

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

The share capital of Prepaid Financial Services (Ireland) limited was purchased by EML Payments European Holdings Limited on 31 March 2020.

Ultimate controlling party

The ultimate controlling party and parent company is EML Payments Limited, a company registered in Australia. The results of EML Payments Europe Limited 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 EML Payments Limited is consolidated.

b) Transactions with key management personnel

Ecomm Merchant Solutions Limited:
During the financial year ended 31 December 2018, the Company advanced £1.8m to Ecomm Merchant Solutions Ireland Limited. The loan was fully repaid with interest on 1 April 2020. The outstanding balance as at 31 December 2019 for Ecomm Merchant Solutions Ireland Limited was £1,708,375.

Abbey Park Developments Limited
During the financial year ended 31 December 2019, the Company advanced £3m to Abbey Park Developments Limited at an interest rate of 4% per annum. This was full repaid with interest on 1 April 2020.
The outstanding balance as at 31 December 2019 for for Abbey Park Developments Limited was £2,644,757.

These two companies were related to Prepaid Financial Services Limited through a common director, Noel Moran.
There were no other transactions with key management personnel during the 2021 financial period.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 19: Related party disclosures (continued)

c) Transactions with related parties

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

- Intercompany transfer pricing fee, refer to Note 4
- Capital injections that occurred between the Company and Prepaid Financial Services (Ireland) Limited, refer to Note 14.
- There is an agreement between the Company and Ecomm Merchant Solutions Ireland Limited (a related entity) for the joint ownership of the Series B preferred stock in Visa Inc, refer to Note 13.

d) Amounts (receivable/payable)with related parties

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 were recharged to the Company.

	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Intercompany receivable			
Prepaid Financial Services (Ireland) Limited	5,297	-	-
Other related parties	1,805	6,153	10,427
	7,102	**6,153**	**10,427**

	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Intercompany payable			
Other related parties	178	1,468	2,296

Notes to the Financial Statements (continued)

Note 20: Subsequent events

During the preparation of the financial statements for the year ended 30 June 2021, the Company identified an issue in relation to client funds safeguarded accounts. The issue related to the accelerated conversion to cash and revenue of dormant funds and expired e-money account prior to six years after the expiry of the account or card. A prior year adjustment has been made and the correction has impacted the prior year comparative financial statements as at 31 December 2019. The issue relates to a period prior to the Company's acquisition by EML Payments Limited on 31 March 2020.

Subsequent to the balance date, EML Payments Limited provided a capital injection of £14,126,588 to the Company in order to meet capital requirements and fund the shortfall in the safeguarded asset account (refer to Note 22).

Note 21: Going concern

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 financial statements have been prepared on a going concern basis. To assess the appropriateness of the Company's going concern assumption, the Directors have:

- Reviewed an updated forecast for the Company including consideration to the external market and key customers;
- Evaluated the Company's liquidity by assessing the net asset position both at balance sheet date;
- Re-assessed current cash resources and funding sources available to the Company alongside the expected future cash requirements;
- Re-evaluated material areas of judgement and uncertainty; and
- Considered the letter of support provided by EML to ensure the Company can continue to meet its obligations for the next 12 months.

Based upon the assessment performed, the Directors determine it appropriate to prepare the financial statements using the going concern principle.

Notes to the Financial Statements (continued)

Note 22: Prior year error

During the financial period, the Company became aware of historical deficiencies in connection with the accelerated conversion to cash and revenue of dormant funds and expired e-money accounts. The Electronic money regulations (EMRs) prescribe that, in certain circumstances, the stored value funds on dormant and expired e-money accounts remain safeguarded for a prescribed minimum period before release to income on expiry under the EMRs. The historical treatment is inconsistent with the Company's understanding of the correct application of the EMRs.

The Company did not recognise a liability for such stored value amounts of 2019: £15,651,000 and2018: £9,907,000, resulting in a shortfall of segregated assets of the same amount. The Company expects to derecognise the liability in a future period when the safeguarding obligation ends, which may result in the recognition of revenue and cash flow in a future period.

The Company has restated the prior year comparative financial statements as at 31 December 2019 and 31 December 2018 to correct for this error. The Company also received a capital injection from the ultimate parent Company, EML Payments Limited, to absorb the reduction in prior year reserves (see note 19 for further information).

The table below identifies the Statement of Financial position categories that have been impacted from the correction of the error:

Statement of Financial position (extract)	31 December 2019	Increase/ (Decrease)	31 December 2019 Restated
	£'000	£'000	£'000
Current tax receivable	-	2,073	2,073
Total Assets	**476,134**	**2,073**	**478,207**
Liabilities to stored value account holders	454,396	15,651	470,047
Current tax payable	746	(746)	-
Total Liabilities	**466,667**	**14,905**	**481,572**
Equity	**9,467**	**(12,832)**	**(3,365)**

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 22: Prior year error (continued)

The table below identifies the Statement of profit or loss and other comprehensive income categories that have been impacted from the correction of the error:

Statement of profit or loss and other comprehensive income (extract)	**31 December 2019**	**Increase/ (Decrease)**	**31 December 2019 Restated**
	£'000	**£'000**	**£'000**
Revenue from contracts with customers	83,621	(49,252) (1)	34,369
Cost of sales	(56,991)	43,508 (1)	(13,483)
Income tax expense	(1,584)	1,091	(493)
Net profit/(loss) for the year	**3,146**	**(4,653)**	**(1,507)**

(1) A reclassification of £43,508,000 to present revenue on a net basis has decreased both Revenue from contracts with customers and Cost of sales for the financial year ended 31 December 2019. The restated presentation is in accordance with the accounting policy set out in Note 2 and considered appropriate to reflect the agent relationship of the contracts with customers under both IFRS and previous GAAP. The difference between the revenue and cost of sales figures in the table (£5,744,000) relates to the separate error regarding the accelerated conversion to cash and revenue of dormant funds and expired e-money accounts set out above.

Notes to the Financial Statements (continued)

Note 23: Auditor's remuneration

During the financial period, 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.

For the financial years ended 31 December 2019 and 31 December 2018, the audit fees were paid to the previous audit firm; GBW Chartered Certified Accountants and Statutory Auditors.

	30 June 2021 £'000	31 December 2019 £'000	31 December 2018 £'000
Audit of financial statements	70	59	27

Note 24: Impact of Brexit

As a result of the withdrawal of the United Kingdom from the European Union, the Company, with effect from 11 pm GMT on 31 December 2020 is no longer authorised to issue e-money or provide payment services to customers located in member states of the European Economic Area.

To ensure continuity of service for cardholders resident in the European Economic Area, during December 2020, the Company transferred certain assets and liabilities to PFS Card Services Ireland Limited (PCSIL) a related entity domiciled in Ireland and authorised to issue e-money and provide payment services to the Customers and Cardholders.

The transfer was undertaken for the sole reason of continued compliance with regulatory requirements for the issuance of e-money and provision of payment services in the European Economic Area and any transfers are undertaken only to the extent necessary to comply with such regulatory requirements.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

Note 25: Significant accounting policies

25.1 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). These are the Company's first financial statements prepared in accordance with IFRS (refer to Note 20.2 for explanation of the transition to IFRS).

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.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

25.2 First-time adoption of IFRS

These financial statements, for the period ended 30 June 2021, are the first the Company has prepared in accordance with IFRS. For the periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 30 June 2021, together with the comparative period data for the period ended 31 December 2019, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2019, the Company's date of transition to IFRS.

On transition, there were no principal adjustments made by the Company in restating its local GAAP financial statements. There were category reclassifications in the financial year ended 31 December 2019. A reconciliation has been provided below.

Notes to the Financial Statements (continued)

The following comparatives have been reclassified on the basis that the current classifications provide more reliable information around the nature of the item:

Statement of Financial Position (extract)	31 December 2019 As previously reported '£000	Correction of error (refer to note 22)	Reclassification of segregated funds and bond investments	Reclassification of liabilities to stored value account holders	Reclassification of intercompany loans	Other category reclassifications	31 December 2019 As currently reported '£000
Current assets							
Cash and cash equivalents	455,325	-	(447,281)	-	-	-	8,044
Trade and other receivables	15,364	-	(3,279)	-	(6,153)	(243)	5,689
Segregated funds and bond investments	-	-	191,429	-	-	-	191,429
Current tax receivable	-	2,073	-	-	-	-	2,073
Inventories	212	-	-	-	-	(212)	-
Other current assets	-	-	-	-	-	455	455
Intercompany receivable	-	-	-	-	6,153	-	6,153
Non-current assets							
Intangibles	5,173	-	-	-	-	-	5,173
Property, plant and equipment	60	-	-	-	-	-	60
Segregated funds and bond investments	-	-	-	259,131	-	-	259,131

Notes to the Financial Statements (continued)

Statement of Financial Position (extract)	31 December 2019 As previously reported '£000	Correction of error (refer to note 22)	Reclassification of segregated funds and bond investments	Reclassification of liabilities to stored value account holders	Reclassification of intercompany loans	Other category reclassifications	31 December 2019 As currently reported '£000
Current liabilities							
Trade and other payables	466,540	(746)	-	(454,396)	(1,468)	(2,658)	7,271
Provision	-	-	-	-	-	2,658	2,658
Liabilities to stored value account holders	-	15,651	-	454,396	-	-	470,047
Intercompany payable	-	-	-	-	1,468	-	1,468
Non-current liability							
Provision for liability	127	-	-	-	-	-	127
Net assets	**9,467**						**(3,365)**
Equity	**9,467**						**(3,365)**

Note 25: Significant accounting policies

25.3 First-time adoption exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the full retrospective application of IFRS.

The mandatory exemptions from full retrospective application were not applicable for the Company and the Company has not adopted to apply any of the optional exemptions. Furthermore, the transition from previous GAAP to IFRS has no impact on the reported financial position, financial performance, and cash flows.

25.4 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 2021.

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

The Company applies for the first time, IFRS 16 Leases in the financial period ended 30 June 2021.

IFRS 16 Leases

IFRS 16 introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 supersedes the previous lease guidance; IAS 17. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a Right-of-use asset and a corresponding lease liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

On transition at 1 January 2020, the Company's leases relate to office property.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and principal lease payments, as well as the impact of lease modifications, amongst others.

The Company has applied a weighted average borrowing rate on transition of 2.24%.

Notes to the Financial Statements (continued)

25.4 Adoption of new and revised standards (continued)

The modified retrospective approach was implemented upon transition. Under this approach, the cumulative effect of initial application of the standard is recognised at the date of adoption i.e. 1 January 2020.

In applying IFRS 16 for the first time, the Company have used the following practical expedients permitted by the standard:

- The transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 14 at the date of initial application;
- The recognition exemptions for lease contracts that, at 1 January 2020 have a lease term of 12 months or less and do not contain a purchase option;
- The recognition exemption for lease contracts for which the underlying asset is of low value and
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company did not apply the remaining expedients relating to the application of an onerous lease liability.

Nature of the effect of adoption on IFRS 16

On transition, the right-of-use assets for leases were measured either:

- On a retrospective basis as if IFRS 16 Leases had always been applied or
- The amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2021.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Prepaid Financial Services Limited

Notes to the Financial Statements (continued)

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

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

25.6 Impairment of financial instruments

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the Financial Statements (continued)

25.7 Fair Value Measurement

The Company measures financial instruments such as trade receivables, and non-financial assets such as plant and equipment, 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.

25.7 Fair Value Measurement (continued)

The Company does not have any financial assets that are categorised as Level 1 or Level 2.

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 7
- Plant and equipment and Right-of-use asset - Note 11
- Financial asset- Note 13

25.8 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 accounting estimate is on the regulatory matters provision amount, refer to Note 12.

Notes to the Financial Statements (continued)

25.9 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.