

Registered number: 04947027

Advanced Payment Solutions Limited

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Advanced Payment Solutions Limited

COMPANY INFORMATION

Directors	R T Wagner J G Jones D R Dixon S T Knight
Company secretary	R Van Breda
Registered number	04947027
Registered office	6th Floor One London Wall London EC2Y 5EB
Trading Address	Cottons Centre Cottons Lane London SE1 2QG
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU
Bankers	Royal Bank of Scotland 62-63 Threadneedle Street London EC2R 8HP Natwest Bank 250 Bishopsgate London EC2M 4AA

Advanced Payment Solutions Limited

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Advanced Payment Solutions Limited

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Business review

The directors are satisfied with the year's performance and the year to March 2018 was another year of good growth for the business and improvements in key metrics. Profit for the financial year grew to £1.3m (2017: £0.5m).

During the year the Group announced its intention to apply for a banking licence and held its first meeting with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) relating to this matter in August 2017. The Group submitted its first regulatory Business Plan (RBP) in support of the process in February 2018 with the intention of obtaining a banking licence during 2019.

The Group also underwent a significant rebranding exercise in Q4 2017 focusing the Group around the "Cashplus" brand providing clarity for the customer around a single brand and upgrading its website.

In assessing the performance of the business the directors review a number of key performance indicators. Revenue increased to £38.3m (2017: £32.3m), up 17.8% as the Group continued to expand further into the Small and Medium Enterprise (SME) and consumer payment and credit sectors. New sales have grown the portfolio of active accounts on book to 147,756 (2017: 125,646), up 17.6%. Active accounts grew in both the SME e-money account and consumer e-money product lines. Administrative expenses grew to £23.3m (2017: £18.6m), up 25.3% to support this growth. This growth included £0.3m of costs associated with the banking licence and excluding these costs administrative expenses grew by 23.7%.

Growth was also aided by the introduction of the direct, secure international payments to its SME customers and the refresh of the company branding and digital access channels.

In August 2017 the Group secured increased debt funding facilities from RBS and BCI enabling it to grow its lending, primarily into the consumer credit card sector. Credit advances after impairment increased to £27.9m (2017: £19.9m), up 40.2% as the group leveraged experience and data gained from several years of earlier experience and test credit campaigns.

The liability side of the balance sheet also grew with customer liabilities for e-money rising to £242.8m (2017: £225.8m), up 7.5% due to growth seen in e-money account volumes.

The Group made significant investments in the year notably in IT platforms and in developing further its online capability.

During the year the Group also completed the migration of the remaining government programmes, a process that commenced in 2016.

Advanced Payment Solutions Limited

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Principal risks and uncertainties

The Group's principal financial instruments comprise cash and various items, such as trade and consumer debtors and trade creditors that arise directly from its operations.

The existence of these financial instruments exposes the Group to a number of financial risks. The main risks arising from the Group's financial instruments are interest rate and liquidity. The directors review and agree policies for managing each of these risks as well as credit risk and are summarised below. These policies have remained largely unchanged from previous years.

Credit risk

Credit risk is the risk that the Group will suffer loss in the event of default by a customer or third party. The Group is exposed to the credit risk on cash balances in transit from retailers and customer and corporate balances with the Group's bankers. Bank balances and customer deposits are maintained with reputable UK high street banks. The Group is also exposed to credit risk on its lending programme. This risk is managed through review and monitoring of portfolio performance via its governance and risk management committees, including a Credit and Risk committee which meets regularly to review underwriting and evaluation of credit decisions and policy.

Interest rate risk

Interest rate risk is the risk that adverse fluctuation may cause fluctuation in the financial position. The Group finances its operations through a mixture of borrowing facilities, retained profits and equity capital. The Group exposure to interest rate fluctuations on its borrowing facilities and investments is managed by evaluation of forward funding requirements. Management of these exposures takes into consideration both the variable rates associated with money placements and the Group's borrowing facilities as well as the managed rates of credit advances.

Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources to meet obligations as they fall due. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by detailed cash flow analysis and forecasts. These are underpinned by borrowing facilities with appropriate future maturity rates.

Conduct Risk

Conduct risk is the risk of unfair customer outcomes as a result of business strategies and practices undertaken by the group. The statutory obligation of the FCA is to protect consumers and as part of its adherence to guidelines the group maintains a conduct risk management framework which addresses the obligation of the business to assess and manage any risk that its systems and controls may cause detriment to a customer. This framework includes Credit Collections, Vulnerable Customers, Complaints and Treating Customer Fairly policies. Conduct risk is managed through Board meetings and relevant committee meetings including the business Credit and Risk Committee which reviews strategic areas of business risk and the Operational Risk Management Group which reviews and assesses ongoing matters of business risk.

This report was approved by the board on 9 July 2018 and signed on its behalf.



R Van Breda
Secretary

Advanced Payment Solutions Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £1,263,379 (2017 - £466,844).

The directors do not recommend the payment of a dividend (2017: £nil)

Directors

The directors who served during the year were:

R T Wagner
J G Jones
D R Dixon
S T Knight

Future developments

Looking forward, the directors expect another year of strong growth as the business continue to invest in marketing spend and development of SME and consumer products. The Group is also investing in the development of a Real Time Gross Settlement (RTGS) solution and is currently in discussions with regulators as part of a process to obtain direct access applying for direct access to this system. This will materially improve in the speed of transmission for customers relating to inbound and outbound payments.

Qualifying third party indemnity provisions

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

Advanced Payment Solutions Limited

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Disclosure of information to auditors

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

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

Post balance sheet events

The intercompany loan amounting to £450,000, received from APS Financial Limited in May 2012, was due for repayment in advance of the balance sheet date. This loan was repaid on 1 June 2018.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 July 2018 and signed on its behalf.



R Van Breda
Secretary

Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADVANCED PAYMENT SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Advanced Payment Solutions Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the

Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADVANCED PAYMENT SOLUTIONS LIMITED (CONTINUED)

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

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

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

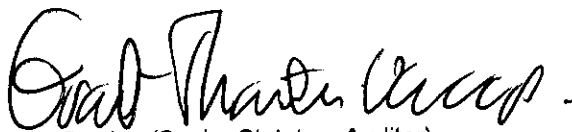
Advanced Payment Solutions Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADVANCED PAYMENT SOLUTIONS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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



Marcus Swales (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants & Statutory Auditor

30 Finsbury Square
London
EC2P 2YU

9 July 2018

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	Continuing operations 2018 £	Discontin'd operations 2018 £	Total 2018 £	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £
Turnover	4	37,244,910	1,028,639	38,273,549	31,130,583	1,204,187	32,334,770
Cost of sales		(6,654,222)	(291,934)	(6,946,156)	(5,786,275)	(723,506)	(6,509,781)
Gross profit		30,590,688	736,705	31,327,393	25,344,308	480,681	25,824,989
Administrative expenses		(25,820,012)	-	(25,820,012)	(22,918,705)	-	(22,918,705)
Other operating income		-	-	-	150,000	750,000	900,000
Operating profit	6	4,770,676	736,705	5,507,381	2,575,603	1,230,681	3,806,284
Interest receivable and similar income	10	16	-	16	312	-	312
Interest payable and expenses	11	(3,611,552)	-	(3,611,552)	(3,093,418)	-	(3,093,418)
Profit before taxation		1,159,140	736,705	1,895,845	(517,503)	1,230,681	713,178
Tax on profit		(485,125)	(147,341)	(632,466)	802	(247,136)	(246,334)
Profit for the financial year		674,015	589,364	1,263,379	(516,701)	983,545	466,844
Total comprehensive income for the year				1,263,379			466,844

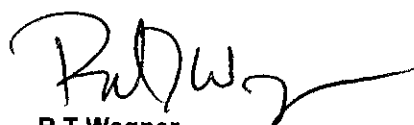
There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 39 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	1,410,250	1,373,956
Tangible assets	14	729,853	695,795
		<u>2,140,103</u>	<u>2,069,751</u>
Current assets			
Stocks	16	156,358	141,010
Debtors: amounts falling due after more than one year	17	1,929,109	2,208,819
Debtors: amounts falling due within one year	17	33,362,418	26,333,189
Cash at bank and in hand	18	251,388,926	231,061,847
		<u>286,836,811</u>	<u>259,744,865</u>
Creditors: amounts falling due within one year	19	(267,056,665)	(247,964,967)
Net current assets		<u>19,780,146</u>	<u>11,779,898</u>
Total assets less current liabilities		<u>21,920,249</u>	<u>13,849,649</u>
Creditors: amounts falling due after more than one year	20	(31,685,747)	(24,904,913)
Net assets excluding pension asset		<u>(9,765,498)</u>	<u>(11,055,264)</u>
Net liabilities		<u>(9,765,498)</u>	<u>(11,055,264)</u>
Called up share capital	25	3,296	3,226
Share premium account	26	335,519	321,204
Share option reserve	26	148,668	136,666
Other reserves	26	1,602,429	1,602,429
Profit and loss account	26	(11,855,410)	(13,118,789)
Equity attributable to owners of the parent Company		<u>(9,765,498)</u>	<u>(11,055,264)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 July 2018.



R T Wagner
Director

The notes on pages 17 to 39 form part of these financial statements.

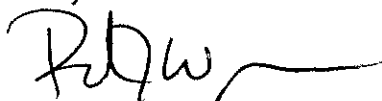
Advanced Payment Solutions Limited
REGISTERED NUMBER: 04947027

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	1,410,250	1,373,956
Tangible assets	14	729,853	695,795
Investments	15	850,000	850,000
		<u>2,990,103</u>	<u>2,919,751</u>
Current assets			
Stocks	16	156,358	141,010
Debtors: amounts falling due after more than one year	17	1,929,109	2,208,819
Debtors: amounts falling due within one year	17	35,924,942	26,051,976
Cash at bank and in hand	18	2,849,060	2,651,512
		<u>40,859,469</u>	<u>31,053,317</u>
Creditors: amounts falling due within one year	19	(27,527,624)	(23,336,028)
Net current assets		<u>13,331,845</u>	<u>7,717,289</u>
Total assets less current liabilities		<u>16,321,948</u>	<u>10,637,040</u>
Creditors: amounts falling due after more than one year	20	(30,523,746)	(25,354,913)
Net liabilities		<u>(14,201,798)</u>	<u>(14,717,873)</u>
Called up share capital	25	3,296	3,226
Share premium account	26	335,519	321,204
Share option reserve	26	148,668	136,666
Other reserves	26	1,602,429	1,602,429
Profit and loss account carried forward		(16,291,710)	(16,781,398)
		<u>(14,201,798)</u>	<u>(14,717,873)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 July 2018.



R T Wagner
 Director

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2017	3,226	321,204	136,666	1,602,429	(13,118,789)	(11,055,264)
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,263,379	1,263,379
Share Option charge	-	-	12,002	-	-	12,002
Other comprehensive income for the year	-	-	12,002	-	-	12,002
Total comprehensive income for the year	-	-	12,002	-	1,263,379	1,275,381
Shares issued during the year	70	14,315	-	-	-	14,385
Total transactions with owners	70	14,315	-	-	-	14,385
At 31 March 2018	3,296	335,519	148,668	1,602,429	(11,855,410)	(9,765,498)

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2016	3,226	320,092	98,075	1,602,429	(13,585,633)	(11,561,811)
Comprehensive income for the year						
Profit for the year	-	-	-	-	466,844	466,844
Share option charge	-	-	38,591	-	-	38,591
Other comprehensive income for the year	-	-	38,591	-	-	38,591
Total comprehensive income for the year	-	-	38,591	-	466,844	505,435
Shares issued during the year	-	1,112	-	-	-	1,112
Total transactions with owners	-	1,112	-	-	-	1,112
At 31 March 2017	3,226	321,204	136,666	1,602,429	(13,118,789)	(11,055,264)

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2017	3,226	321,204	136,666	1,602,429	(16,781,398)	(14,717,873)
Comprehensive income for the year						
Profit for the year	-	-	-	-	489,688	489,688
Share Option charge	-	-	12,002	-	-	12,002
Other comprehensive income for the year	-	-	12,002	-	-	12,002
Total comprehensive income for the year	-	-	12,002	-	489,688	501,690
Contributions by and distributions to owners						
Shares issued during the year	70	14,315	-	-	-	14,385
Total transactions with owners	70	14,315	-	-	-	14,385
At 31 March 2018	3,296	335,519	148,668	1,602,429	(16,291,710)	(14,201,798)

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Share premium account	Share Option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2016	3,226	320,092	98,075	1,602,429	(15,567,831)	(13,544,009)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,213,567)	(1,213,567)
Share Option Charge	-	-	38,591	-	-	38,591
Other comprehensive income for the year	-	-	38,591	-	-	38,591
Total comprehensive income for the year	-	-	38,591	-	(1,213,567)	(1,174,976)
Contributions by and distributions to owners						
Shares issued during the year	-	1,112	-	-	-	1,112
Total transactions with owners	-	1,112	-	-	-	1,112
At 31 March 2017	3,226	321,204	136,666	1,602,429	(16,781,398)	(14,717,873)

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,263,379	466,845
Adjustments for:		
Amortisation of intangible assets	1,407,654	1,321,213
Depreciation of tangible assets	214,507	212,269
Sale of council business	-	(900,000)
Interest paid	2,357,637	3,093,418
Interest received	(16)	(312)
Taxation charge	632,466	246,334
(Increase)/decrease in stocks	(15,348)	65,783
(Increase) in debtors	(7,029,233)	(3,206,814)
Increase in creditors	18,241,752	88,690,853
Corporation tax (paid)	(321,835)	(198,281)
Share based option scheme	12,002	38,591
Net cash generated from operating activities	16,762,965	89,829,899
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,443,948)	(1,337,326)
Purchase of tangible fixed assets	(248,564)	(553,656)
Interest received	16	312
Sale of council business	-	900,000
Net cash from investing activities	(1,692,496)	(990,670)

Advanced Payment Solutions Limited

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £	2017 £
Cash flows from financing activities		
Issue of ordinary shares	14,385	1,112
New secured loans	6,650,000	4,800,000
Purchase of debenture loans	-	1,162,000
New loans	949,861	-
Interest paid	(2,357,636)	(3,024,625)
Net cash used in financing activities	<u>5,256,610</u>	<u>2,938,487</u>
Net increase in cash and cash equivalents	<u>20,327,079</u>	<u>91,777,716</u>
Cash and cash equivalents at beginning of year	231,061,847	139,284,131
Cash and cash equivalents at the end of year	<u><u>251,388,926</u></u>	<u><u>231,061,847</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	251,388,926	231,061,847
	<u><u>251,388,926</u></u>	<u><u>231,061,847</u></u>

The notes on pages 17 to 39 form part of these financial statements.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

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

The principal activity of the company during the year was that of commissions associated with its card issuing, bank sponsorship and credit programme activities and also interest earned on deposits held in a safeguarded account with RBS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2016.

2.3 Going concern

The group's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on pages 1-2. The group is expected to continue to generate positive cash flows for the foreseeable future. The group operates a centralised treasury arrangements and shares banking arrangements with its fellow subsidiaries. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Advanced Payment Solutions Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

Based on their assessment of the group's financial position the directors of the company have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.4 Revenue

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

Rendering of services

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

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

Revenue represents fees and commissions receivable and other revenue generated from the normal operation of the customer accounts in respect of the period. Initial fees are recognised after the first monetary load, and monthly fees are recognised in the month raised where there is available credit on the cardholders' account. Commissions are earned and recognised on the date the transactions occur giving rise to that commission.

Revenue is also generated from a range of different credit products:

Overdrafts have no fixed repayment terms and balances that are withdrawn and repaid on a regular basis. The fee structure includes an annual arrangement fee that is recognised over the 12 months of the agreement in addition to a charge for each period the account remains overdrawn which is recognised in the period to which it relates. Interest is charged on the balance borrowed and added to the loan and recognised in the month to which it relates.

Credit cards charge interest at an effective interest rate on the outstanding balance and recognised in the month to which it relates.

2.5 Intangible assets

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

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

The estimated useful lives range as follows:

Software	-	2-3 years
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2.6 Tangible fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 5 years
Fixtures and fittings	- 3 years
Office equipment	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Cash held in trust for cardholders balance relates to cardholder deposit liabilities. These deposits are held in a designated bank accounts which is subject to a separate mandate agreed and governed by APS together with the company's bankers in order to segregate such funds from other company assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.10 Financial instruments

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

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

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

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

2.11 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.16 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.18 Current and deferred taxation

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

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

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

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

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

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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

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

The provisions in the statements reflect the director's current view of the expected future liabilities using best judgment. The nature and inherent uncertainty relating to these judgments and estimate means that although directors are confident of its calculations the outcome may be different to the actual economic outflow.

The main areas of judgment applied in these Financial Statements are:

- Impairment of credit receivables including an incurred but not recognised provision

4. Turnover

The whole of the turnover is attributable to the group's principal activity.

All turnover arose within the United Kingdom.

5. Other operating income

	2018 £	2017 £
Disposal of operation	-	900,000
	<u>-</u>	<u>900,000</u>

6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	214,507	212,268
Amortisation of intangible assets, including goodwill	1,407,654	1,321,213
Exchange differences	(651,383)	983,519
Other operating lease rentals	336,680	304,400
Defined contribution pension cost	52,914	45,854
	<u>52,914</u>	<u>45,854</u>

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	55,500	53,850
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	5,150	5,000
Taxation compliance services	11,250	10,250
Services relating to corporate finance transactions	30,000	45,000
All other services	-	7,000
	46,400	67,250

8. Employees

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	7,759,198	6,500,577	7,107,030	5,857,333
Social security costs	780,956	692,654	686,205	628,064
Cost of defined contribution scheme	52,914	45,854	47,302	40,756
	8,593,068	7,239,085	7,840,537	6,526,153

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

	2018 No.	2017 No.
Administration	107	92
Sales	9	8
	116	100

For the parent company average number of employees, including directors was 100 (2017: 90) administration staff and 9 (2017: 8) sales staff.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	909,823	733,410
Company contributions to defined contribution pension schemes	3,900	3,336
	<u>913,723</u>	<u>736,746</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £369,350 (2017 - £286,425).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

During the year NIL directors exercised share options under the share option incentive scheme (2017 - NIL)

10. Interest receivable

	2018 £	2017 £
Other interest receivable	16	312
	<u>16</u>	<u>312</u>

11. Interest payable and similar expenses

	2018 £	2017 £
Other loan interest payable	3,611,552	3,093,418
	<u>3,611,552</u>	<u>3,093,418</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	214,026	199,515
Adjustments in respect of previous periods	138,730	(48,981)
	<u>352,756</u>	<u>150,534</u>
Total current tax	<u>352,756</u>	<u>150,534</u>
Deferred tax		
Origination and reversal of timing differences	230,177	(72,856)
Adjustment in respect of prior years	49,533	43,012
Tax losses carried forward and other deductions	-	125,644
	<u>279,710</u>	<u>95,800</u>
Total deferred tax	<u>279,710</u>	<u>95,800</u>
Taxation on profit on ordinary activities	<u>632,466</u>	<u>246,334</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,895,845</u>	<u>713,179</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	360,211	142,636
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	86,274	4,449
Capital allowances for year in excess of depreciation	24,798	(33,273)
Adjustments to tax charge in respect of prior periods	188,263	(5,979)
Changes in provisions leading to an increase (decrease) in the tax charge	(27,080)	138,501
Total tax charge for the year	<u>632,466</u>	<u>246,334</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

12. Taxation (continued)

Factors that may affect future tax charges

The Group and company have unrelieved tax losses of £10.9m (2017: £10.9m) carried forward and available for offset against future trading profits. These losses together with other timing differences have been recognised as a deferred tax asset as they are available to offset future taxable profits. Details of the deferred tax asset are set out in note 12.

13. Intangible assets

Group and Company

	Computer software £
Cost	
At 1 April 2017	5,689,928
Additions	1,443,948
At 31 March 2018	<u>7,133,876</u>
Amortisation	
At 1 April 2017	4,315,972
Charge for the year	1,407,654
At 31 March 2018	<u>5,723,626</u>
Net book value	
At 31 March 2018	<u>1,410,250</u>
At 31 March 2017	<u>1,373,956</u>

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14. Tangible fixed assets

Group and Company

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 April 2017	650,388	260,255	138,178	876,198	1,925,019
Additions	18,415	24,063	-	206,086	248,564
At 31 March 2018	<u>668,803</u>	<u>284,318</u>	<u>138,178</u>	<u>1,082,284</u>	<u>2,173,583</u>
Depreciation					
At 1 April 2017	197,846	191,761	30,524	809,091	1,229,222
Charge for the year on owned assets	125,826	37,646	1,646	49,390	214,508
At 31 March 2018	<u>323,672</u>	<u>229,407</u>	<u>32,170</u>	<u>858,481</u>	<u>1,443,730</u>
Net book value					
At 31 March 2018	<u>345,131</u>	<u>54,911</u>	<u>106,008</u>	<u>223,803</u>	<u>729,853</u>
At 31 March 2017	<u>452,542</u>	<u>68,493</u>	<u>107,653</u>	<u>67,107</u>	<u>695,795</u>

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
APS Financial Limited	Ordinary	100 %	Issue of eMoney regulated payment cards and funds
APS Bonds plc	Ordinary	100 %	Issuer of mini bond financial product

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
APS Financial Limited	5,403,331	940,722
APS Bonds plc	47,693	(2,307)
	<u>5,451,024</u>	<u>938,415</u>
Company		
		Investments in subsidiary companies £
At 1 April 2017		850,000
At 31 March 2018		<u>850,000</u>
At 31 March 2017		<u>850,000</u>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Card related consumables	156,358	141,010	156,358	141,010
	<u>156,358</u>	<u>141,010</u>	<u>156,358</u>	<u>141,010</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £279k (2017: £277k).

17. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due after more than one year				
Deferred tax asset	1,929,109	2,208,819	1,929,109	2,208,819
	<u>1,929,109</u>	<u>2,208,819</u>	<u>1,929,109</u>	<u>2,208,819</u>

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due within one year				
Trade debtors	173,461	2,461,736	48,846	186,018
Amounts owed by group undertakings	-	-	3,196,913	2,594,439
Other debtors	3,308,296	2,775,602	2,835,927	2,175,668
Prepayments and accrued income	1,909,286	1,209,333	1,909,286	1,209,333
Credit advances	27,971,375	19,886,518	27,933,970	19,886,518
	<u>33,362,418</u>	<u>26,333,189</u>	<u>35,924,942</u>	<u>26,051,976</u>

Credit advances

	2018 £	2017 £
Credit Advances	33,704,919	23,673,105
Provisions for impairment	(5,733,544)	(3,786,587)
Total	<u>27,971,375</u>	<u>19,886,518</u>

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Reconciliation of movement in credit provision

	2018 £	2017 £
Opening Provision	(3,786,587)	(2,643,949)
Utilised in the period	3,552,508	3,217,608
Amount Charged	(5,499,465)	(4,360,246)
Credit Provision Balance	(5,733,544)	(3,786,587)

No other debtors have provisions for impairment and nil (2017: nil) are past due as at the balance sheet date

18. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank current accounts	6,717,897	5,968,880	2,841,150	2,630,456
Cash balances	7,910	21,055	7,910	21,055
Held in trust for cardholders	244,663,120	225,071,912	-	-
	251,388,927	231,061,847	2,849,060	2,651,511

19. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Revolving Credit Facility	18,950,000	12,300,000	18,950,000	12,300,000
Directors loans	-	4,577,060	-	4,577,060
Customer liabilities for e-money outstanding	242,750,965	225,784,060	-	-
Trade creditors	1,779,382	1,450,515	1,228,754	1,187,205
Amounts owed to group undertakings	-	-	4,035,081	1,765,977
Corporation tax	228,794	197,873	(1,642)	(1,642)
Other taxation and social security	279,206	235,947	268,332	225,441
Other creditors	792,216	743,596	790,901	732,677
Accruals and deferred income	2,276,102	2,675,916	2,256,198	2,549,310
	267,056,665	247,964,967	27,527,624	23,336,028

Advanced Payment Solutions Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

20. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Loan stock and share capital treated as debt	12,030,946	11,735,000	12,030,946	11,735,000
Outstanding interest on loan stock and share capital treated as debt	13,260,754	12,006,841	13,260,753	12,006,841
Mini Bonds	1,162,000	1,162,000	-	-
Amounts owed to group undertakings	-	-	-	1,612,000
Directors loans	5,230,975	-	5,230,975	-
Share capital treated as debt	1,072	1,072	1,072	1,072
	<u>31,685,747</u>	<u>24,904,913</u>	<u>30,523,746</u>	<u>25,354,913</u>

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Loans

Falling due within one year:

Revolving credit facility

In August 2017 the facility limit was increased to £17.5m with a termination date set at 14 March 2020. During the year the company drew down an additional £6.7m in funding from the facility to take the total drawn balance to £19.0m. The facility agreement includes a fixed charge over certain assets of the company.

Falling due after more than one year:

7% loan stock

This bears interest at 7% which is rolled up and total principal and interest will mature. The loan stock is held by certain shareholders of the company including main shareholders, Trident Capital Fund VI LP and Trident Capital Fund VI Principals Fund LLC (which are funds managed by the ultimate controlling party of the Group, Trident Capital, Inc.) and is unsecured.

Shares classed as debt

These include amounts due to the ultimate controlling related party, Trident Capital Fund VI LP, and other minority investors including management. These relate to Series C and Series D convertible preferred shares which have a premium payable on certain events. Detailed rights are set out in the Company's Articles of Association.

Other Loans

This is financing raised through loan notes and warrants from directors and existing investors which bear interest at 14% and matures in March 2020.

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	18,950,000	12,300,000	18,950,000	12,300,000
Directors loans	-	4,577,060	-	4,577,060
	<u>18,950,000</u>	<u>16,877,060</u>	<u>18,950,000</u>	<u>16,877,060</u>
Amounts falling due 2-5 years				
Bank loans	13,260,756	12,006,841	13,260,756	12,006,841
Directors Loans	5,230,975	-	5,230,975	-
Debenture loans	1,162,000	1,162,000	-	-
	<u>19,653,731</u>	<u>13,168,841</u>	<u>18,491,731</u>	<u>12,006,841</u>
	<u><u>38,603,731</u></u>	<u><u>30,045,901</u></u>	<u><u>37,441,731</u></u>	<u><u>28,883,901</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

21. Financial Risk Management

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

Liquidity risk

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

The liabilities of the group include £242.7m (2017: £225.8m) of customer liabilities for outstanding money balances due on demand, a £19.0m (2017: £12.3m) revolving credit facility that is payable at the end of each credit cycle, £5.2m (2017: £4.6m) for interest bearing loans owed to directors and £25.0m (2017: £23.7m) of long term debt.

With regard to customer held funds, and as per regulation, the group holds cash in a safeguarded, segregated account equal to the liability of the customer account balances. The balances of both are reviewed and maintained on a daily basis.

Market risk

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

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

Credit risk

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

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

For the group's credit programme, the assessment of credit risk is managed through lending decisions that utilise developed underwriting standards in combination with credit bureau information. Subsequent to the initial decision risk is managed through review and monitoring of the portfolio via established governance and risk management committees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

22. Capital Management

APS Financial Limited, a 100% wholly owned subsidiary of the group is regulated as an electronic money institution by the FCA under the requirements of the Electronic Money Regulations 2011 and is required to hold adequate capital as prescribed by the FCA's Minimum Regulatory Capital ("MRC") requirement. In compliance with these regulations the directors regularly monitor capital levels within the required levels and therefore maintains capital accordingly.

As at 31 March 2018 the company confirms is holds sufficient capital to meet its regulatory requirements. The following table summarises the components of AFL's capital position at the same point:

	2018 £	2017 £
Share Capital	350,000	350,000
Capital Redemption Reserve	450,000	450,000
Reserves	4,603,331	3,461,204
	<u>5,403,331</u>	<u>4,261,204</u>

23. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are measured at amortised cost	283,380,674	256,235,394	37,403,330	27,543,847
	<u>283,380,674</u>	<u>256,235,394</u>	<u>37,403,330</u>	<u>27,543,847</u>
Financial liabilities				
Other financial liabilities measured at amortised cost	(242,750,965)	(225,784,060)	-	-
Financial liabilities that are debt assets measured at amortised cost	(53,206,273)	(43,975,011)	(55,231,465)	(44,304,759)
	<u>(295,957,238)</u>	<u>(269,759,071)</u>	<u>(55,231,465)</u>	<u>(44,304,759)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade and other debtors and credit advances.

Other financial liabilities measured amortised cost comprise cardholder funds in transit and customer liabilities for e-money outstanding

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and deferred income, bank and other loans and share capital treated as debt.

Advanced Payment Solutions Limited

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FOR THE YEAR ENDED 31 MARCH 2018**

24. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	2,208,819	2,304,619
Charged to profit or loss	(279,710)	(95,800)
At end of year	1,929,109	2,208,819

The deferred tax asset is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	357,858	314,140
Short Term Timing Differences	244,834	40,638
Losses and other deductions	1,326,417	1,854,041
	1,929,109	2,208,819

25. Share capital

	2018 £	2017 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,029,447 (2017 - 1,016,350) 1,029,447 Ordinary shares of £0.001 each shares of £0.001 each	1,029	1,016
2,097,034 (2017 - 2,040,000) 2,097,034 Series A Convertible Preference shares of £0.001 each shares of £0.001 each	2,097	2,040
170,000 170,000 Series B Preference shares of £0.001 each shares of £0.001 each	170	170
	3,296	3,226

Advanced Payment Solutions Limited

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25. Share capital (continued)

	2018 £	2017 £
Shares classified as debt		
Authorised, allotted, called up and fully paid		
407,996 (2017 - 408,000) 407,996 Series C Convertible Preference shares of £0.001 each shares of £0.001 each	408	408
663,631 (2017 - 664,000) 663,631 Series D Convertible Preference shares of £0.001 each shares of £0.001 each	664	664
	<hr/> 1,072 <hr/>	<hr/> 1,072 <hr/>

In accordance with FRS 102 Section 22, the Series C and D convertible preferred shares are compound instruments. The debt component is classed as a financial liability and disclosed within creditors. The equity component is treated as other equity reserves and forms part of shareholders' funds.

Rights of shares

Ordinary shares, Series A convertible preferred share and Series B preferred shares rank pari passu in respect of income and capital distributions. Detailed conversion rights are set out in the company's Articles of Association

Series C and D preferred shares have a premium payable on certain events. Detailed rights are set out in the Company's Articles of Association.

Options and warrants

11,300 (2017: 100) options were exercised during the year. Details of share options are given in note 27.

194,650 (2017: nil) warrants to loan stock holders were exercised during the year.

26. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

Represent the convertible element of the C and D preference shares

Profit and loss account

Includes all current and prior periods retained profits and losses.

Advanced Payment Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

27. Share based payments

Equity-settled share-based payments

The company has a share option scheme for all employees (including directors). Options are exercisable at a price determined at issue based on the share price calculated in accordance with the company's net assets. The vesting period is 4 years. There are no specific performance criteria attached to the exercise of options. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company subject to an entitlement to exercise a proportionate number of options calculated from the time of issue compared to the 4 year vesting period, provided the employee has at least one year continuous service.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	Weighted average exercise price (pence) 2018 £	Number 2018 £	Weighted average exercise price (pence) 2017 £	Number 2017 £
Outstanding at the beginning of the year	89	391,412	83	268,912
Granted during the year	95	113,000	95	153,050
Forfeited during the year	-	-	95	(30,450)
Exercised during the year	95	(11,300)	95	(100)
Outstanding at the end of the year	<u>90</u>	<u>493,112</u>	<u>89</u>	<u>391,412</u>

11,300 (2017: 100) options were exercised during the year ended 31 March 2017. The weighted average share price based on the asset value at the date of exercise of the options in March 2017 was £1.77 (2017: £1.77).

The fair values were calculated using the Black-Scholes Pricing Model. the inputs into the model were as follows:

- current share price based on business net assets
- effective interest rate of 7%
- volatility estimated at 50%
- expected maturity of 4 years

The total charge for the year was £12,002 (2017: £38,591)

28. Contingent liabilities

The company co-ordinates the collection of debtor balances on behalf of APS Financial Limited. These are due from distributors for topping up customer accounts. In the event of default of payment by a distributor, the company would be liable for any unpaid amounts.

There were no other contingent liabilities at 31 March 2018 or 31 March 2017.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

29. Pension commitments

The pension scheme is administered through Aviva with APS matching contributions at the statutory minimum level.

The pension cost charge represents contributions payable by the Group to the fund and amounted to £45,854 (2016: £30,544). Contributions totalling £NIL (2016: £NIL) were payable to the fund at the reporting date

30. Commitments under operating leases

At 31 March 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Not later than 1 year	468,434	-	468,434	-
Later than 1 year and not later than 5 years	-	468,434	-	468,434
	<u>468,434</u>	<u>468,434</u>	<u>468,434</u>	<u>468,434</u>

31. Related party transactions

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 9. Funding provided to the company in the form of Directors loans have been disclosed in the creditors note 20.

32. Post balance sheet events

On 31 May 2018 the intercompany loan amounting to £450,000 was settled in full.

33. Controlling party

The ultimate controlling party is Trident Capital Inc, which is the fund management company of Trident Capital Fund VI LP, the fund which has a majority shareholding in Advanced Payment Solutions Limited. Both Trident Capital Inc and Trident Capital Fund VI LP are entities incorporated in the United States of America.