Advanced Payment Solutions Limited

Registered number: 04947027

Advanced Payment Solutions Limited

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Advanced Payment Solutions Limited

COMPANY INFORMATION

Directors	R T Wagner J G Jones D R Dixon S T Knight A Hatami M T J Sismey-Durrant
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	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU
Bankers	Royal Bank of Scotland 62-63 Threadneedle Street London EC2R 8HP
	Natwest Bank 250 Bishopsgate London EC2M 4AA
	Investec Bank plc 30 Gresham Street London EC2V 7QP

Advanced Payment Solutions Limited

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020

Business review

For over a decade the group has provided and continues to launch alternative financial solutions serving Small and Medium Sized Enterprises (SMEs) and consumers who are often overlooked by traditional high street banks. The core products provided by Cashplus are e-money business accounts and e-money personal accounts. Cashplus also provides lending to these sectors through credit cards, loans and revolving credit facilities.

The year to March 2020 was another year of satisfactory performance as the business continued to grow in its key markets and progressed towards obtaining its banking licence. The group made an operating profit of £0.8m (2019: £3.1m) and a loss for the financial year after tax of £5.0m (2019: £1.1m) as further investments were made in digital capabilities and the banking licence project.

Following two years of preparations and interactions with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) the group submitted its final banking licence application in August 2019. Good progress has been made with this project since that date. The group expects that it will become a bank during the coming financial year.

During the period the group built on its track record of innovation with the UK-first launch of Google Maps-powered Spending Insights feature for credit cards. The feature shows customers a time, location and merchant logo for every transaction and also includes an automated categorisation feature, making it easy for personal and SME credit card customers to track and analyse their spending. In September 2019 the group extended its Marketplace giving thousands of small business customers easy access to great deals on relevant products and services alongside the direct integrations to accounting and payroll platforms available through our suite of Cashplus API products. It also continued to strengthen its team ahead of the bank licence approval with senior hires in our HR, Treasury, Credit, and Corporate Affairs functions. During the period the group passed a milestone of having processed more than £20bn of payments through customers accounts over the life of the business.

In assessing the performance of the group the directors review a number of key performance indicators. Revenue increased to £48.5m (2019: £45.6m), up 6.4% as the group continued to expand further into the Small and Medium Enterprise (SME) and consumer payment and credit sectors.

Account growth was slower than in prior years due to funding constraints which will largely be alleviated on becoming a bank. New sales were 104,167 (2019: 169,109) and the portfolio of active accounts on book were 155,061 (2019: 160,784). Administrative expenses grew to £39.7m (2019: £34.0m), up 16.7% to support this growth and the banking licence.

Credit receivables (Gross) were slightly lower at £36.3m (2019: £38.1m) but the liability side of the balance sheet continued to grow strongly with customer liabilities for e-money rising to £363.0m (2019: £292.7m), up 24.0% due to growth seen in e-money account volumes.

During the year the group adopted IFRS 9 accounting standards which have primarily affected credit receivable provisions. One off adjustments have been made in the brought forward reserves which amount to £2.5m.

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

The group has also recently secured additional funding lines in the form of management loans (£1.7m) and standby facilities (£2m) from its existing bankers in order to provide further risk mitigation against potential macroeconomic issues during the coming period and potential for further disruption that might be caused by a "sustained pandemic". Existing credit receivable funding facilities have also been extended to the 17 August 2021 beyond expected banking licence timescales.

Looking forward the group is well positioned to take advantage the of growth and funding cost benefits afforded by the banking licence and the directors are confident that the business is well positioned to deal with the immediate crisis and future opportunities.

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 credit, interest rate and liquidity. The directors review and agree policies for managing each of these risks as well as operational, credit and conduct risk and are summarised below.

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 at authorised credit institutions. 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 Credit Committee which meets monthly to review underwriting and evaluation of credit decisions and policy. The Credit Committee reports to the Risk Committee which meets quarterly.

Interest rate risk
Interest rate risk is the risk that adverse fluctuations may cause a variation 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 e-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. Both interest rate risk and liquidity risk are managed by the ALCO which also reports to the Risk Committee.

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 Customers Fairly policies. Conduct risk is managed through the new Conduct Risk Committee which meets monthly.

Operational Risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This risk is primarily managed by the Operational and Security Risk group which meets monthly and reports to the Risk Committee.

Overall Risk Governance
During the year the group continued to enhance its governance framework following the establishment of a number of new committees in the previous year. The focus during the year has been on embedding a new Enterprise Risk Management Framework including new risk registers and developing risk appetite statements and associated metrics. These are now regularly reviewed by the Risk Committee.

Section 172 of the Companies Act 2006
In making this report the directors consider they have had regard to section 172 (1) (a) to (f) when performing their duties and making decisions and setting the strategy of the group. This includes the responsibility of directors to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard to:

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

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

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

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

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

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

This report was approved by the board on 28 August 2020 and signed on its behalf.

R van Breda
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020

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

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 loss for the year, after taxation, amounted to £5,016,681 (2019 - loss £1,091,703).

The directors do not recommend the payment of a dividend (2019: £nil).

Directors

The directors who served during the year were:

R T Wagner
J G Jones
D R Dixon
S T Knight
A Hatami
M T J Sismey-Durrant

Future developments

The group is also investing in the development of a Real Time Gross Settlement (RTGS) solution and expects to launch this during the course of 2021 after the group obtains its banking licence.

Qualifying third party indemnity provisions

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

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

Following increased levels of e-money balances since the year end and associated increases in regulatory capital requirements £250,000 was injected from Advanced Payment Solutions Limited into its wholly owned subsidiary, APS Financial Limited entity at the end of June 2020. This was undertaken to ensure compliance with regulatory capital requirements under its obligations as an Electronic Money Institution.

Going Concern

In preparing these financial statements the directors are required to satisfy themselves that they should be adopted on a going concern basis. In assessing this the directors have considered a number of risks and mitigating actions. The directors have reviewed the impact of the coronavirus pandemic on recent trading performance and the cost management programmes that have been executed in response. They have reviewed financial forecasts and liquidity projections using downside scenarios. They have also considered the good progress of the group towards a banking licence which will provide significant liquidity to repay existing bank facilities. The group has already received its capital and liquidity guidance from the Prudential regulation Authority (PRA) and is awaiting authorisation with a plan to becoming a bank towards the end of 2020. This process will also include a planned debt for equity swap to create a positive net asset position which has the commitment of existing investors.

The group has recently signed revised agreements with its bankers to extend its existing facilities and obtain additional facilities to provide buffer liquidity until the banking licence project is completed.

On the basis of the considerations above the going concern basis has been used as the basis of accounting in preparing the financial statements.

Auditors

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

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

This report was approved by the Board on 28 August 2020 and signed on its behalf.

R van Breda
Secretary

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

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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 March 2020 and of the Group’s loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, 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

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter	How the key audit matter was addressed in our audit
Expected credit loss provisioning – Group and Company Commensurate with the activities of the Company, the Expected Credit Loss (ECL) provision is a material balance subject to management judgement and estimation. Please refer to notes 2 and 3 in the financial statements. Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios; and • Accuracy and adequacy of the financial statement disclosures.	We analysed the components of the Company's loan book and considered management's processes for the identification and treatment of underperforming loans. We have evaluated and challenged the Company's determination of what constitutes a Significant Increase in Credit Risk and whether the definition of default used for the Company's estimate of Expected Credit Loss results in a probability of default that reflects the Company's current view of the future and is unbiased. We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We evaluated the selection and source of the information used by the Company to determine Probability of Default, Loss Given Default and Exposure at Default (EAD). We made an assessment of the adequacy and accuracy of the credit provision by reference to internal and external information to establish if provisioning was in accordance with requirements of accounting standards. With the support of our internal economic specialists, we assessed the appropriateness of the predictive model used and assessed the macroeconomic variables used, such as unemployment rate, which were appropriate. We assessed the reasonability of multiple economic scenarios used, including weighting and probability changes. We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition to IFRS 9. **Key observations:** There were no material matters arising from performing these procedures.

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

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Impact of the outbreak of Covid-19 on the Going Concern assessment – Group and Company

A global pandemic from the outbreak of the Covid-19 has occurred during 2020. In assessing whether the entity is a going concern management is required to take into account all available information about the future including the implications of COVID-19 effects on their operations, for a period of at least 12 months from the date when the financial statements are authorised for issue. Management have considered the base and stress scenarios, which included assumptions about the potential impact a prolonged recession due to Covid-19 could have on operating losses, the cash and capital position during this period.

Since March 2020, the impact of Covid-19 has been significant and has led to disruption in financial markets, and severe curtailment and restrictions to normal patterns of business both within the United Kingdom and globally.

Management have performed an assessment of the potential impact of Covid-19 on the Group and have concluded that it is able to continue as a going concern as set out in note 2.3 of the financial statements. This has required management to make judgements as to the reasonably foreseeable impacts of Covid-19. In making those judgements, management has taken into account the significant uncertainty as to the impact both on the wider economy and on the markets in which the Group and Company trades and therefore the COVID -19 pandemic is a key audit matter.

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Our audit work in this respect included:

- We evaluated and challenged management’s revisions to their going concern assessment and made enquiries of management to understand the impact of Covid-19 on the Group’s financial performance, business activities and operations, and regulatory capital and liquidity.
- We also assessed the potential impact of the reduced interest rate environment and Covid-19 related national policy decisions on the Company’s profitability and liquidity.
- Evaluated revised management forecasts and challenged the assumptions and predicted outcomes. We considered the base and stress scenarios testing undertaken by management to support the going concern assessment which included assumptions about the potential impact a prolonged recession due to Covid-19 could have on revenue, and possible cost saving measures and consider these assumptions plausible.

Key observations:

Our key observations are set out in the conclusions related to going concern section of our audit report.

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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

	Group	**Parent Company**
Materiality	**£716,000**	**£650,000**
Performance Materiality	**£466,000**	**£423,000**
Reporting threshold	**£14,000**	**£13,000**

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

Materiality

We consider materiality to be the magnitude by which misstatements, individually or taken together, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determined the materiality for the Group financial statements as a whole to be £716,000, which was set at 1.5% of expenses. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures. The Parent Company’s materiality was determined at £650,000, which was also set at 1.5% of expenses.

We determined that expenses was the most appropriate benchmark in light of the loss for the year, the focus of directors on cost management and the quantum of costs incurred associated with the anticipated developments in the regulatory permissions and activities of the business.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Our work on each component of the Group was executed at levels of materiality which were applicable to the individual entities, all of which were lower than Group materiality, ranging from £650,000 to £424,000 for the two significant components.

Performance Materiality

The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality for the Group should be 65% of materiality, namely £466,000. Performance Materiality was also set at 65% of materiality for the Parent Company, namely £423,000.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial. We agreed with the Audit Committee that we would report all individual audit differences in excess of £14,000 for the Group, and £13,000 for the Parent Company, and any other differences that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial statements as a whole, taking into account the activities of the Group entities, the accounting processes and controls, and the industry in which the Group operates.

The Group engagement team carried out full scope audits for the Parent Company and other significant component within the Group. Other transactions and balances within the financial statements, arising in the insignificant component, were also audited directly by the Group audit engagement team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Group Financial Statements, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report 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 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, 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.

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.

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

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 28 August 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Revenue	4	**48,532,659**	**45,644,966**
Cost of sales		**(8,021,518)**	**(8,520,589)**
Gross profit		**40,511,141**	**37,124,377**
Administrative expenses		**(39,678,901)**	**(33,920,374)**
Operating profit	5	**832,240**	**3,204,003**
Interest payable and similar expenses	9	**(4,483,793)**	**(4,229,917)**
Loss before taxation		**(3,651,553)**	**(1,025,914)**
Tax on loss	10	**(1,365,128)**	**(65,789)**
Loss for the financial year		**(5,016,681)**	**(1,091,703)**
Total comprehensive loss for the year		**(5,016,681)**	**(1,091,703)**

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

The notes on pages 23 to 50 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note		**2020** £		2019 (as restated) £
Fixed assets					
Intangible assets	11		**2,053,594**		1,787,001
Tangible assets	12		**954,806**		1,060,856
			3,008,400		2,847,857
Current assets					
Stocks	14	**311,342**		204,482	
Debtors: amounts falling due after more than one year	15	**1,000,000**		2,183,932	
Debtors: amounts falling due within one year	15	**36,408,959**		40,577,419	
Cash and cash equivalents	17	**376,945,140**		306,155,806	
		414,665,441		349,121,639	
Creditors: Amounts Falling Due Within One Year	18	**(62,847,922)**		(36,923,596)	
Customer liabilities		**(363,049,911)**		(292,743,554)	
Net current (liabilities)/assets			**(11,232,392)**		19,454,489
Total assets less current liabilities			**(8,223,992)**		22,302,346
Creditors: amounts falling due after more than one year	19		**(9,573,594)**		(33,147,547)
Net liabilities			**(17,797,586)**		(10,845,201)
Called up share capital	24		**3,296**		3,296
Share premium account			**335,519**		335,519
Share option reserve			**754,308**		160,668
Other reserves			**1,602,429**		1,602,429
Profit and Loss Account			**(20,493,138)**		(12,947,113)
			(17,797,586)		(10,845,201)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 August 2020.

Rich T Wagner

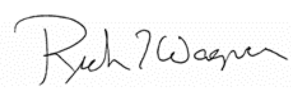
R T Wagner
Director

The notes on pages 23 to 50 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note		**2020** £		2019 £
Fixed assets					
Intangible assets	11		**2,053,594**		1,787,001
Tangible assets	12		**954,806**		1,060,856
Investments	13		**850,000**		850,000
			3,858,400		3,697,857
Current assets					
Stocks	14	**311,342**		204,482	
Debtors: amounts falling due after more than one year	15	**999,694**		2,183,932	
Debtors: amounts falling due within one year	15	**33,618,902**		39,337,738	
Cash and cash equivalents	17	**4,722,425**		3,112,938	
		39,652,363		44,839,090	
Creditors: Amounts Falling Due Within One Year	18	**(59,226,065)**		(32,797,634)	
Net current (liabilities)/assets			**(19,573,702)**		12,041,456
Total assets less current liabilities			**(15,715,302)**		15,739,313
Creditors: amounts falling due after more than one year	19		**(9,573,593)**		(31,985,548)
Net liabilities			**(25,288,895)**		(16,246,235)
Called up share capital	24		**3,296**		3,296
Share premium account			**335,519**		335,519
Share option reserve			**754,308**		160,668
Other reserves			**1,602,429**		1,602,429
Profit and loss account brought forward			**(27,984,447)**		(18,348,147)
			(25,288,895)		(16,246,235)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 August 2020.



R T Wagner
Director

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a statement of comprehensive income for the company. The company made a loss in the year of £7.11m (2019: £2.06m loss).

The notes on pages 23 to 50 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 31 March 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(12,947,113)**	**(10,845,201)**
Impact of transition to IFRS 9	-	-	-	-	(2,529,344)	(2,529,344)
At 1 April 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(15,476,457)**	**(13,374,545)**
Comprehensive income for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(5,016,681)**	**(5,016,681)**
Share option charge	-	-	593,640	-	-	593,640
Total Comprehensive income for the year	**-**	**-**	**593,640**	**-**	**(5,016,681)**	**(4,423,041)**
At 31 March 2020	**3,296**	**335,519**	**754,308**	**1,602,429**	**(20,493,138)**	**(17,797,586)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 31 March 2018	**3,296**	**335,519**	**148,668**	**1,602,429**	**(11,855,410)**	**(9,765,498)**
Impact of transition to IFRS 9	-	-	-	-	-	-
At 1 April 2018	**3,296**	**335,519**	**148,668**	**1,602,429**	**(11,855,410)**	**(9,765,498)**
Comprehensive income for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(1,091,703)**	**(1,091,703)**
Share option charge	-	-	12,000	-	-	12,000
Total Comprehensive income for the year	**-**	**-**	**12,000**	**-**	**(1,091,703)**	**(1,091,703)**
At 31 March 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(12,947,113)**	**(10,485,201)**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 31 March 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(18,348,147)**	**(16,246,235)**
Impact of transition to IFRS 9	-	-	-	-	(2,529,344)	(2,529,344)
At 1 April 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(20,877,491)**	**(18,775,579)**
Comprehensive income for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(7,106,956)**	**(7,106,956)**
Share option charge	-	-	593,640	-	-	593,640
Total Comprehensive income for the year	**-**	**-**	**593,640**	**-**	**(7,106,956)**	**(6,513,316)**
At 31 March 2020	**3,296**	**335,519**	**754,308**	**1,602,429**	**(27,984,447)**	**(25,288,895)**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Share premium account	Share option reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 31 March 2018	**3,296**	**335,519**	**148,668**	**1,602,429**	**(16,291,710)**	**(14,201,798)**
Impact of transition to IFRS 9	-	-	-	-	-	-
At 1 April 2019	**3,296**	**335,519**	**148,668**	**1,602,429**	**(16,291,710)**	**(14,201,798)**
Comprehensive income for the year						
Loss for the year	**-**	**-**	**-**	**-**	**(2,056,433)**	**(2,056,433)**
Share option charge	-	-	12,000	-	-	12,000
Total Comprehensive income for the year	**-**	**-**	**12,000**	**-**	**(2,056,433)**	**(2,044,433)**
At 31 March 2019	**3,296**	**335,519**	**160,668**	**1,602,429**	**(18,348,147)**	**(16,246,235)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019 (as restated)
	£	£
Cash flows from operating activities		
Loss for the financial year	**(5,016,681)**	(1,091,703)
Adjustments for:		
Amortisation of intangible assets	**1,724,599**	1,605,960
Depreciation of tangible assets	**339,308**	269,650
Interest paid	**4,483,793**	4,229,917
Taxation charge	**1,365,128**	65,789
(Increase)/decrease in stocks	**(106,860)**	66,254
Decrease/(increase) in debtors	**1,639,113**	(7,469,821)
Increase in creditors	**71,336,962**	55,910,169
Corporation tax (paid)	**(326,874)**	(177,859)
Share based option scheme	**593,640**	12,000
Net cash generated from operating activities	**76,032,128**	53,420,356
Cash flows from investing activities		
Purchase of intangible fixed assets	**(1,991,193)**	(1,984,225)
Purchase of tangible fixed assets	**(236,899)**	(724,318)
Sale of tangible fixed assets	**-**	10,800
Net cash from investing activities	**(2,228,092)**	(2,697,743)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019 (as restated)
	£	£
Cash flows from financing activities		
Receipts from revolving credit facilities	**-**	6,905,962
Repayment of revolving credit facility	**(2,103,801)**	-
Receipts from directors loans	**2,208,323**	
Interest paid	**(3,119,224)**	(2,861,693)
Net cash used in financing activities	**(3,014,702)**	4,044,269
Net increase in cash and cash equivalents	**70,789,334**	54,766,880
Cash and cash equivalents at beginning of year	**306,155,806**	251,388,926
Cash and cash equivalents at the end of year	**376,945,140**	306,155,806
Cash and cash equivalents at the end of year comprise:		
Balances held on behalf of customers	**363,722,114**	295,447,744
Bank current accounts	**13,211,127**	10,693,427
Cash balances	**11,899**	14,635
	376,945,140	306,155,806

The notes on pages 23 to 50 form part of these financial statements.

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 is to provide current accounts, revolving credit products, loans and credit cards to the small and medium sized enterprises and consumers.

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 directors have reviewed the impact of the coronavirus pandemic on recent trading performance and the cost management programmes that have been executed in response. They have reviewed financial forecasts and liquidity projections using downside scenarios.

They have also considered the good progress of the group towards a banking licence which will provide significant liquidity to repay existing bank facilities. The group has recently signed revised agreements with its bankers to extend its existing facilities and obtain additional facilities to provide buffer liquidity until the banking licence project is completed.

2. Accounting policies (continued)

On the basis of the considerations the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern and the financial statements have been prepared on that basis.

2.4 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'.

2.5 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:

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 customer's account. Commissions are earned and recognised on the date the transactions occur giving rise to that commission. Interest earned on e-money balances held at regulated credit institutions is recognised in the Consolidated statement of comprehensive income in the month is which it is earned.

2. Accounting policies (continued)

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

Revolving credit facilities 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.

2.6 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 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 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.

2.8 Borrowing costs

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

2.9 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. Accounting policies (continued)

2.10 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.

2.11 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

2. Accounting policies (continued)

2.12 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.

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
Other fixed assets	- 3 Years
Fixtures and fittings	- 5 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.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 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.

2.15 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. Accounting policies (continued)

2.16 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 customer balances relate to customer deposit liabilities. As per FCA regulations, these are held in designated bank accounts and are 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. The customer balances are held on the balance sheet and the group takes advantage of interest income by placing these funds with authorised credit institutions.

2.17 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.

2.18 Prior period adjustment

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

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

2.19 Financial instruments

Recognition

The company applies IFRS 9 to recognise, classify, measure and de-recognise financial assets and liabilities, and to record any impairment on those financial assets. The impact of adoption if IFRS 9 is disclosed in note 16 of these financial statements.

The company recognises financial assets and liabilities when the contract is formed. Financial instruments are initially recognised at fair value, inclusive of directly attributable transaction costs, and then adjusted by the effective interest rate, to be recognised at amortised cost.

2. Accounting policies (continued)

Classification and measurement

The company classifies financial assets on the basis of which they are managed and their contractual cash flows where they are solely payments of principal and interest.

The company policy is to hold all financial assets and liabilities to collect or pay contractual cash flows, rather than to sell the instrument before maturity. The contractual terms of all financial assets held by the company give rise to cash flow that are solely payments of principal and interest. Therefore, all financial assets and liabilities are held at amortised cost using the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash flows (including fees) through the expected life of the asset or liability.

Financial instruments held at amortised cost are subject to expected credit loss (ECL) provisions, per IFRS 9.

Derecognition

The company derecognises a financial asset, or a part of it, from the balance sheet when the contractual rights to cash flows from the asset have either expired, transferred or have been sold, along with substantially all the risks and rewards of the asset. Financial liabilities are derecognised when they are settled, have expired or been extinguished.

Credit receivables

Amounts receivable from customers are assessed for impairment with reference to IFRS9 stages to assess the ECL of each account. Under IFRS9 “Stage 1” applies to accounts that are not credit impaired at initial recognition on origination. An account will then move to “Stage 2” when there has been a significant increase in credit risk since origination either through a missed payment or an adverse change in behavioural risk score. The measure of significance increase has been set using a statistical analysis based on standard deviations from the mean of the original risk score. An account will move into “Stage 3” when it has defaulted. Default is defined as an account which is over 90 days in arrears or is in a special status (bankrupt, individual voluntary arrangement, deceased or insolvent) or a payment arrangement.

Impairment provisions are recognised by establishing an expected credit loss (ECL) based on assessing the probability of default (PD), exposure at default (EAD) and the typical loss given default (LGD) with the following applying to accounts at each stage:

- Stage 1 - The ECL is based on a 12 month PD, based on historic experience
- Stage 2 - The ECL is based on a lifetime PD, based on historic experience.
- Stage 3 - The ECL is based on a lifetime PD, based on historic experience.

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each product group over the 5-year lifetime horizon. Given the nature of the current portfolio which is currently focused on consumer credit the primary forward-looking parameter used is the UK unemployment rate.

Write offs

Accounts are written off once they are 210 days past due, defined as being seven instalments behind the agreed monthly minimum payment, unless forbearance has been applied. Accounts are also written off in special circumstance relating to bankruptcy, individual voluntary arrangements (IVAs) and deceased customers.

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 estimates 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 is expected credit loss modelling.

4. Revenue

	2020	2019
	£	£
Fees and provisions of services	**46,067,508**	44,484,305
Bank interest	**2,465,151**	1,160,660
	48,532,659	45,644,965

All revenue arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2020	2019
	£	£
Professional fees	**1,655,573**	604,683
Office lease costs	**986,289**	644,500

6. Auditors' remuneration

	2020	2019
	£	£
Fees payable to the group's auditor for the audit of the group's annual financial statements	**135,000**	-
Fees payable to the group's predecessor auditor for the audit of the group's annual financial statements	**-**	40,000
Fees payable to the group's predecessor auditor in respect of:		
Audit-related assurance services	**-**	7,500
Taxation compliance services	**-**	17,750
Services relating to corporate finance transactions	**-**	31,000
	-	56,250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. Employees

	Group 2020 £	Group 2019 £	**Company 2020 £**	Company 2019 £
Wages and Salaries	**10,785,731**	8,950,811	**8,201,509**	7,644,984
Social security costs	**1,463,382**	1,011,326	**1,191,354**	867,896
Cost of defined contribution scheme	**271,367**	123,996	**182,365**	104,065
	12,520,480	10,086,133	**9,575,228**	8,616,945

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

	2020 No.	2019 **No.**
Administration	**154**	129
Sales	**9**	9
	163	138

8. Directors Emoluments

	2020 £	2019 £
Directors Emoluments	**964,611**	1,103,931
Company contributions to defined contribution pension schemes	**13,862**	8,654
	978,473	1,112,585

During the year retirement benefits were accruing to no directors (2019 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £290,442 (2019 - £442,225).

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

During the year 1 director received shares under the long term incentive schemes (*2019 -NIL*)

9. Interest payable and similar expenses

	2020	2019
	£	£
Other loan interest payable	**4,483,793**	4,229,917
	4,483,793	4,229,917

Expenses relate to the loan interest payable, non-utilisation fees and arrangement fees.

10. Taxation

	2020	2019
	£	£
Corporation Tax		
Current tax on profits for the year	**-**	320,185
Adjustments in respect of previous periods	**(215,348)**	-
	(215,348)	320,185
Total current tax	**(215,348)**	320,185
Deferred tax		
Origination and reversal of timing differences	**1,789,283**	(265,128)
Adjustment in respect of prior years	**43,016**	10,732
Effect of tax rate changes on opening balance	**(251,823)**	-
Total deferred tax	**1,580,476**	(254,396)
Taxation on (loss)/profit on ordinary activities	**1,365,128**	65,789

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 lower than) the standard rate of corporation tax in the UK of 19% (2019 19%). The differences are explained below:

	2020	2019
	£	£
(Loss)/profit on ordinary activities before tax	**(3,651,553)**	(1,025,914)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 19%)	**(693,795)**	(194,938)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**302,340**	166,946
Capital allowances for year in excess of depreciation	**29,938**	52,106
Adjustments to tax charge in respect of prior periods	**(172,333)**	10,483
Changes in provisions leading to an increase (decrease) in the tax charge	**(251,822)**	31,192
Deferred tax asset not recognised	**2,150,800**	-
Total tax charge for the year	**1,365,128**	65,789

Factors that may affect future tax charges

The group and company have unrelieved tax losses of £7.5m (2019: £4.7m) carried forward and available for offset against future trading profits.

The Group and the company have not recognised the deferred tax asset of £2.2m (2019: £nil) due to uncertainty of timing on future profitability.

Details of the deferred tax asset are set out above.

11. Intangible assets

Group and company

	Computer Software £
Cost	
As at 1 April 2019	**8,894,689**
Additions	**1,991,193**
As at 31 March 2020	**10,885,882**
Amortisation	
As at 1 April 2019	**7,107,688**
Charge for the year	**1,724,600**
As at 31 March 2020	**8,832,288**
Net book value	
As at 31 March 2020	**2,053,594**
As at 31 March 2019	1,787,001

12. Tangible fixed assets

Group and company

	Long-term leasehold property	Other fixed assets	Fixtures and fittings	Office equipment	Computer equipment	Total
	£	£	£	£	£	£
Cost						
As at 1 April 2019	**1,158,694**	**-**	**231,301**	**8,985**	**510,748**	**1,909,728**
Additions	**19,197**	**121,000**	**2,049**	**(1)**	**94,654**	**236,899**
Disposals	**-**		**(916)**	**-**	**(2,724)**	**(3,640)**
As at 31 March 2020	**1,177,891**	**121,000**	**232,434**	**8,984**	**602,678**	**2,142,987**
Depreciation						
As at 1 April 2019	**461,183**	**-**	**115,674**	**3,493**	**268,523**	**848,873**
Charge for the year	**194,409**	**3,358**	**27,855**	**2,463**	**111,223**	**339,308**
As at 31 March 2020	**655,592**	**3,358**	**143,529**	**5,956**	**379,746**	**1,188,181**
Net book value						
As at 31 March 2020	**522,299**	**117,642**	**88,905**	**3,028**	**222,932**	**954,806**
As at 31 March 2019	697,511	-	115,627	5,492	242,225	1,060,855

13. Fixed asset investments

Company

	Investments in subsidiary £
As at 1 April 2019	**850,000**
Net book value	
As at 31 March 2020	**850,000**
As at 31 March 2019	850,000

Name of Entity	Location of Entity	Business Activity	Ownership 2020	2019
APS Financial Limited	UK	E Money Institution	100%	100%
APS Bonds plc	UK	Issuer of Mini Bonds	100%	100%

14. Stocks

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Card related consumables	**302,738**	204,482	**302,738**	204,482
Finished goods and goods for resale	**8,604**		**8,604**	
	311,342	204,482	**311,342**	204,482

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

15 Debtors

	Group 2020 £	Group 2019 £	**Company 2020 £**	Company 2019 £
Due after more than one year				
Deferred tax asset	**1,000,000**	2,183,932	**999,964**	2,183,932
	1,000,000	2,183,932	**999,964**	2,183,932

	Group 2020 £	Group 2019 £	**Company 2020 £**	Company 2019 £
Due within one year				
Trade debtors	**2,980,942**	937,618	**1,391,035**	83,602
Amounts owed by group undertakings	**-**	-	**204,112**	472,111
Other debtors	**7,056,466**	6,055,187	**5,652,204**	5,342,040
Prepayments and accrued income	**1,547,596**	3,093,635	**1,547,596**	2,949,006
Credit receivables	**24,823,955**	30,490,979	**24,823,955**	30,490,979
	36,408,959	40,577,419	**33,618,902**	39,337,738

16. Credit Provisions

Credit receivable balance

	2020	2019
	£	**£**
Gross Amount Receivable 31 March	**36,257,572**	38,059,681
Provision for bad debts	**(11,433,616)**	(7,568,702)
Credit receivables 31 March	**24,823,955**	30,490,979

IFRS9: 'Financial Instruments' was adopted from 1 April 2019. IFRS9 outlines a “three stage model” for impairment based on changes to credit quality.

Under IFRS9 “Stage 1” applies to accounts that are not credit impaired at initial recognition on origination. An account will the move to “Stage 2” when there has been a significant increase in credit risk either through a missed payment or an adverse change in behavioural risk score. The measure of significance increase has been set using a statistical analysis based on standard deviations from the mean of the original risk score. An account will move into “Stage 3” when it has defaulted. Default is defined as an account which is over 90 days in arrears or is in a special status (bankrupt, individual voluntary arrangement, deceased or insolvent) or a payment arrangement.

Impairment provisions are recognised by establishing an expected credit loss (ECL) based on assessing the probability of default (PD), exposure at default (EAD) and the typical loss given default (LGD) with the following applying to accounts at each stage:

- Stage 1 - The ECL is based on a 12 month PD, based on historic experience.
- Stage 2 - The ECL is based on a lifetime PD, based on historic experience.
- Stage 3 - The ECL is based on a lifetime PD, based on historic experience.

IFRS 9 requires the incorporation of adjustments to the ECL parameters of forward-looking macroeconomic information that is reasonable, supportable and independently sourced. To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each product group over the 5-year lifetime horizon. Given the nature of the current portfolio which is currently focused on consumer credit the primary forward-looking parameter used is the UK unemployment rate.

The coronavirus pandemic creates enhanced credit risks and IFRS9 provision assumptions, including probability of default parameters, have been updated for data available at the year end. The group uses the unemployment rate as its primarily forward looking indicator using probabilities applied to a number of scenarios to drive a weighted prediction to drive the provision parameters. At the year end 31 March 2020 the provision % that had been applied at the first time adoption date of 1st April 2019 were updated to reflect this increase risk.

On this basis an increase in provision was taken reflecting an increase in unemployment forward looking assumptions from 4.8% to 7.2%.

All of the company's receivables are due within one year. There is no fixed term for repayment of balances other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance.

16. Credit Provisions (continued)

Expected Credit Loss is assessed regularly to incorporate changes arising from the following factors:

- Change in movement between stages;
- Reassessment of credit quality due to change in behaviour, usage of the product, risk score and change in macro economic environment.

The change in ECL due to reassessment includes £1.40 million as a result of recent change in macro environment due to Covid-19 pandemic that led to an increase in forward looking unemployment rate of 4.8% in March 2019 to 7.2% in March 2020.

The gross receivable and provision for bad debt which form the net amounts from customers is as follows:

Provision Movement	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provision as of 31 March 2019				**7,568,702**
IFRS 9 adoption charge				2,529,344
Provision as of 1 April 2019	**1,531,449**	**1,436,006**	**7,130,591**	**10,098,046**
Provision on new loans and advances	233,794	292,733	650,558	**1,177,086**
Transfers between Stages	-	-	-	**-**
Stage 1	(314,839)	113,679	201,160	**-**
Stage 2	198,838	(513,723)	314,884	**-**
Stage 3	39,495	11,230	(50,725)	**-**
Change due to Re-assessment	(54,559)	979,147	3,750,217	**4,674,804**
Change due to model methodology	-	-	-	**-**
Release of Provision on Settled/Written Off Accounts	(146,686)	(607,392)	(3,762,242)	**(4,516,320)**
Provision as of 31 March 2020	**1,487,492**	**1,711,681**	**8,234,443**	**11,433,616**

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16. Credit Provisions (continued)

Receivables as of 31 March 2019	Stage 1	Stage 2	Stage 3	Total
Low Risk	19,474,111	68,499	-	**19,542,610**
Medium Risk	4,481,383	372,320	159,443	**5,013,146**
High Risk	45,084	1,156,935	1,647,006	**2,849,025**
Delinquent	-	2,720,250	944,698	**3,664,949**
Defaulted	-	-	6,034,041	**6,034,041**
Other Loans and Advances			955,911	**955,911**
Gross Loans and Advances	**24,000,578**	**4,318,004**	**9,741,099**	**38,059,681**
Provision Allowance	1,531,449	1,436,006	7,130,591	**10,098,046**
Credit receivables	**22,469,129**	**2,881,998**	**2,610,508**	**27,961,635**
Coverage Ratio (%)	6.38%	33.26%	73.20%	**26.53%**

Receivables as of 31 March 2020	Stage 1	Stage 2	Stage 3	Total
Low Risk	17,030,218	(184)	-	**17,030,036**
Medium Risk	3,174,531	278,196	-	**3,452,727**
High Risk	24,303	1,360,453	2,475,999	**3,860,754**
Delinquent	-	2,225,629	1,144,559	**3,370,188**
Defaulted	-	-	6,590,970	**6,590,970**
Other Loans and Advances	-	-	1,952,896	**1,952,896**
Gross Loans and Advances	**20,229,052**	**3,864,096**	**12,164,424**	**36,257,572**
ECL Allowance	1,487,492	1,711,681	8,234,443	**11,433,616**
Credit receivables	**18,741,559**	**2,152,415**	**2,948,782**	**24,823,955**
Coverage Ratio (%)	7.35%	44.3%	67.69%	**31.53%**

Credit Quality	12 Month PD	Description
Low Risk	**0% to 7.99%**	Up to date accounts that have very high likelihood of being fully recovered
Medium Risk	**8.00% to 19.99%**	Up to date accounts that have high likelihood of being fully recovered
High Risk	**20.00% to 99.99%**	Up to date accounts that have low likelihood of being fully recovered
Delinquent		Accounts that are up to three payments in arrears and that have not defaulted
Default		Accounts that are at least four payments in arrears, insolvent, bankrupt, or forbearance

17. Cash and cash equivalents

	Group 2020 £	Group 2019 (as restated) £	Company 2020 £	Company 2019 £
Bank current accounts	**13,211,127**	10,693,427	**4,710,526**	3,098,303
Cash in hand balances	**11,899**	14,635	**11,899**	14,635
Customer safeguarded funds	**363,722,114**	295,447,744	**-**	
	376,945,140	306,155,806	**4,722,425**	3,112,938

18. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 (as restated) £	Company 2020 £	Company 2019 £
Revolving credit facility	**23,752,159**	25,855,960	**23,752,159**	25,855,960
Loan stock	**18,375,521**	-	**18,375,521**	-
Directors and Management Loans	**7,609,357**	-	**7,609,357**	-
Mini Bonds	**1,162,000**	-	**-**	-
Trade creditors	**3,804,501**	2,056,705	**3,487,832**	1,279,489
Amounts owed to group undertakings	**-**	-	**1,902,622**	1,349,619
Corporation tax	**-**	116,725	**-**	-
Other taxation and social security	**493,854**	428,626	**483,414**	416,362
Other creditors	**4,842,739**	5,083,612	**1,607,772**	1,812,257
Accruals and deferred income	**2,807,791**	3,381,968	**2,007,388**	2,083,947
	62,847,922	36,923,596	**59,226,065**	32,797,634

Revolving credit facility
Amounts due under the revolving credit facility represent drawings under a £27.5m (£22.5m senior and £5.0m mezzanine) revolving credit facility due for repayment on 14 August 2020. After the balance sheet date these facilities were extended to a repayment date of 17 August 2021 with a reduced facility level of £26.5m (£22.5m senior and £4m mezzanine). The facility agreement includes a fixed charge over certain assets of the company and the group.

Mini bonds
Amounts due under mini bonds represent an issue of mini bonds to retail investors made in 2016 with a maturity date of November 2020. The group intends to repay these mini bonds on maturity and has no plans to raise further finance through these products.

Directors and management loans
Amounts due under directors and management loans represents unsecured loans provided by directors and executive management and connected parties. These loans have a maturity date of 31 October 2020. These loans are in the course of being extended to 30 September 2021 as a condition subsequent of the revolving credit facility extension.

Loan stock
Amounts due under loan stock represents an unsecured £7.3m loan stock instrument and associated accrued interest which has a maturity date of 31 October 2020. The instrument is listed on The International Stock Exchange (TISE). This loan stock instrument is in the course of being extended to 30 September 2021 as a condition subsequent of the revolving credit facility extension. The instrument is held by certain shareholders of the company including main shareholders, Trident Capital Fund VI LP and Trident Capital Fund VI Principals Fund LLC.

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

	Group 2020	Group 2019	**Company 2020**	Company 2019
	£	£	**£**	£
Loan stock and share capital treated as debt	**9,572,522**	26,583,441	**9,572,521**	26,583,441
Directors loans	**-**	5,401,034	**-**	5,401,035
Mini bonds	**-**	1,162,000	**-**	-
Share capital treated as debt	**1,072**	1,072	**1,072**	1,072
	9,573,594	33,147,547	**9,573,593**	31,985,548

Disclosure of the terms and conditions attached to the non-equity shares is made in note 24.

19. Creditors: Amounts falling due after more than one year (Continued)

Shares classed as debt
Amounts due under shares classed as debt relate to 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. The instrument is held by certain shareholders of the company including main shareholders, Trident Capital Fund VI LP and Trident Capital Fund VI Principals Fund LLC.

	Group 2020 £	Group 2019 £	**Company 2020 £**	Company 2019 £
Amounts falling due within one year				
Revolving Credit Facility	**23,752,159**	25,855,960	**23,752,159**	25,855,960
Loan Stock	**18,375,521**	-	**18,375,521**	-
Mini Bonds	**1,162,000**	-	-	-
Directors loans	**7,609,357**	-	**7,609,357**	-
	50,899,037	25,855,960	**49,737,037**	25,855,960
Amounts falling due 2-5 years				
Loan stock and share capital treated as debt	**9,572,520**	26,583,411	**9,572,520**	26,583,411
Mini bonds	**-**	1,162,000	-	-
Directors loans	**-**	5,401,034	-	5,401,034
	9,572,520	33,146,445	**9,572,520**	31,984,445
	60,471,557	59,002,405	**59,309,557**	57,840,405

20. Financial Risk Management

The group recognises it's 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 £363.0m (2019: £292.7m) of customer liabilities for outstanding e-money balances due on demand, a £23.8m (2019: £25.9m) revolving credit facility that is payable at the end of each credit cycle, £7.6m (2019: £5.4m) for interest bearing loans owed to directors and £27.9m (2019: £26.6m) of long term debt. The remaining balance comprises of working capital.

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

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

21. Capital Management

APS Financial Limited, a 100% wholly owned subsidiary of the group is regulated as an e-money institution by the FCA under the requirements of the Electronic Money Regulations 2011. The company maintains minimum regulatory capital based on a ratio of 2% of its average customer e-money liabilities. Post the Balance sheet date, these grew as a result of the Government grants relating to the coronavirus crisis. On 25 June 2020, to support the increased capital requirements of the company relating to it's e-money licence, the board approved the issue of a further 250,000 Ordinary shares £1 each which have been acquired and fuly paid up by it's parent company Advanced Payment Solutions Limited.

As at 31 March 2020 the company holds sufficient capital to meet its regulatory requirements. The following table summarises the components of AFL's capital position at the same point:

	2020	2019
	£	**£**
Share Capital	**350,000**	350,000
Capital Redemption Reserve	**450,000**	450,000
Reserves	**7,510,080**	5,413,044
	8,310,080	6,213,044

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22. Financial Instruments

	Group 2020 £	Group 2019 (as restated) £	**Company 2020 £**	Company 2019 £
Financial assets				
Financial assets that are measured at amortised cost	**411,806,503**	332,931,528	**36,793,731**	39,501,670
Financial liabilities				
Other financial liabilities measured at amortised cost	**(374,998,796)**	(303,811,190)	**(9,489,028)**	(6,941,674)
Financial liabilities that are debt assets measured at amortised cost	**(60,472,631)**	(59,003,507)	**(59,310,630)**	(57,841,508)
	(435,471,427)	(362,814,697)	**(68,799,658)**	(64,783,182)

Other financial liabilities measured amortised cost comprise customer liabilities for e-money outstanding.

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23. Deferred taxation

Group

	2020	2019
	£	**£**
At beginning of year	**2,183,932**	1,929,109
Credited to profit and loss	**(1,183,932)**	254,823
At end of year	**1,000,000**	2,183,932

The deferred tax asset is made up as follows:

	Group	Group	**Company**	Company
	2020	2019	**2020**	2019
	£	**£**	**£**	**£**
Accelerated capital allowances	**227,533**	370,850	**227,533**	370,850
Short term timing differences	**47,661**	562,074	**47,355**	562,074
Losses and other deductions	**724,806**	1,251,008	**724,806**	1,251,008
	1,000,000	2,183,932	**999,694**	2,183,932

24. Share capital

	2020	2019
	£	**£**
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,029,447 (2019 1,029,447) 1,029,447 Ordinary shares of £0.001 each shares of £0.001 each	**1,029**	**1,029**
2,097,034 (2019 2,097,034) 2,097,034 Series A Convertible Preference shares of £0.001 each shares of £0.001 each	**2,097**	**2,097**
170,000 (2019 170,000) 170,000 Series B Preference shares of £0.001 each shares of £0.001 each	**170**	**170**
	3,296	3,296

24. Share capital (continued)

	2020 £	2019 £
Shares classified as debt		
Authorised, allotted, called up and fully paid		
407,996 (2019 407,996) 407,996 Series C Convertible Preference shares of £0.001 each shares of £0.001 each	**408**	408
663,631 (2019 663,631) 663,631 Series D Convertible Preference shares of £0.001 each shares of £0.001 each	**664**	664
	1,072	1,072

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
Nil (2019: Nil) options were exercised during the year. Details of share options are given in note 26.
Nil (2019: Nil) warrants to loan stock holders were exercised during the year.

25. 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.

Share Option Reserve

Represents the recognised valuation of the share options issued to date that have yet to be cancelled or exercised

26. 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 usual 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 15 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) 2020 £	**Number 2020**	Weighted average exercise price (pence) 2019 £	Number 2019
Outstanding at the beginning of the year	**90**	**529,762**	90	493,112
Granted during the year	**95**	**136,500**	95	42,900
Forfeited during the year	**95**	**(150)**	95	(6,250)
Exercised during the year	**-**	**-**	-	-
Outstanding at the end of the year	**91**	**666,112**	90	529,762

No (2019: Nil) options were exercised during the year ended 31 March 2020. The weighted average share price based on a valuation exercise undertaken during the year was £2.08 (2019: £1.10).

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

- risk free interest rate of 7%
- volatility estimated at 50%
- expected maturity of 4 years

The total charge for the year was £593,640 (2019: £12,000)

27. Pension commitments

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

The pension cost charge represents contributions payable by the group to the fund and amounted to £271,367 (2019: £123,995). Contributions totalling £NIL (2019: £NIL) were payable to the fund at the reporting date

28. Commitments under operating leases

At 31 March 2020 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £	Group 2019 £	**Company 2020 £**	Company 2019 £
Not later than 1 year	**1,229,681**	1,161,988	**1,229,681**	1,161,988
Later than one year and not later than 5 years	**3,692,411**	5,133,714	**3,692,411**	5,133,714
	4,922,092	6,295,702	**4,922,092**	6,295,702

29. Related party transactions

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 8. Funding provided to the company in the form of directors loans have been disclosed in the creditors note 18.

30. Controlling party

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

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