

epay Limited

**Directors' report, strategic report and
financial statements**

Registered number 03695345

31 December 2021

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Company Information

Directors

J Fricker
R Weller
N Stephenson

Registered office

Kingfisher House
2 Woodbrook Crescent
Billericay
Essex
CM12 0EQ

Registered auditor

KPMG LLP
58 Clarendon Road
Watford
WD17 1DE
United Kingdom

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Introduction and Overview

epay Limited is a private limited company incorporated in England and Wales, registered number 03695345.

Principal activity

The principal activity of the company during the year was the provision of systems for the sale of electronic top-ups for pre-paid mobile phone services, and other digital products. The directors are not aware, at the date of this report, of any major planned changes in the company's activities in the next year.

Environment

The company has considered the Waste Electrical and Electronic Equipment Directive (WEEE Directive) and is working with its manufacturers to reduce the amount of non-recyclable components in the equipment that it purchases. The company also has a market for terminals that it replaces that are still in working order and thus no provisions have been made in these results as a result of the implementation of the directive.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Employment policy

epay Limited is an equal opportunities employer. Full and fair consideration is given to all applications for all site locations regarding age, gender, ethnic minorities, disabled and other disadvantaged groups.

Disabled Persons

The company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility.

Full consideration will be given to the recruitment of disabled persons, where a disabled person can adequately fulfil the requirement of the job.

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practical or possible, then every effort will be made to find suitable alternative employment.

Directors and their interests

The current directors, and any changes during the year and up to the date of signing, are listed on page 1.

Dividends

The directors paid interim dividends of £nil (2020: £nil), and do not recommend a final dividend (2020: £nil).

Political and charitable donation

The company made no political contributions during the current or prior periods nor incurred any political expenditure. During the year the company made charitable donations of £nil (2020: £nil).

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in the office.

By order of the board



N Stephenson

Director

Date: 28 / 09 / 2022

Kingfisher House
2 Woodbrook Crescent
Billericay
Essex
CM12 0EQ

Strategic Report

Business Review

2021 showed increased revenues year-on-year, at £26.1 million (2020: £23.4 million). COVID-19 pandemic management measures remained in place throughout 2021, with the restrictions up to July 2021 having some direct impacts on epay's trade. The closure of non-essential stores and reduction in international travel led to a continued reduction in sales in mobile top-ups and software products. Despite these challenges there were significant increases in sales of take-away voucher sales, gaming product vouchers and gift voucher sales, supported by an increase in digital retailer sales. With increased administrative expenses the Company's loss before tax has increased to £1.8 million in 2021 from £0.4 million in 2020

The balance sheet on page 13 of the financial statements shows a decrease in shareholders' funds of £1.9 million (2020: £0.7 million) to £1.5 million in 2021 compared to £3.5 million in 2020.

Objectives and strategy of the company

The Company's objectives are to maximise the long-term value and revenue for its shareholder and to deliver a high quality service for its clients and suppliers.

The Company aims to deliver strong profits via efficient systems and processes and a flexible approach giving the ability to adapt to market opportunities as they arise.

The company aims to grow its operations through expanding the range of digital products offered and geographical regions serviced.

Principal risks and uncertainties

Competitive pressures in the UK between the major mobile network providers means there is a continuing risk of margin compression. The company manages this risk by providing value added services to these providers and the key retailer base, including dedicated account management to enable fast responses to partner needs, and by maintaining strong relationships with partners and retailers.

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet, there are only two elements of financial risk that the directors consider relevant to the Company, one being credit risk and the other being its foreign currency risk.

Credit risk is mitigated by insurance policies taken against the major debtor balances owed and prudent vetting of all new retailers.

The company's sales overseas are made in USD, Euro and other European currencies and it is therefore exposed to the movement in exchange rates. This is partially mitigated by the fact that the company also purchases its stock for resale in the same currencies providing a natural risk hedge. The company also operates foreign currency bank accounts to limit the cost of currency conversion.

Covid-19

Coronavirus- In 2020 the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic with all countries worldwide affected. Measures employed by governments in many countries to limit the impact of the virus have included the closing of non-essential retail outlets, limitations on national and international travel and the control of non-essential activities. The economic uncertainty related to these measures remained in 2021, gradually reducing as the management measures were reduced. At this point in 2022 the majority of markets that epay Limited trades in have few restrictions still in place. These measures now have less of an impact on trade and international travel.

Strategic Report (continued)

Future Developments

Epay Ltd plans to continue developing and promoting its current diverse line of high-quality products in the UK and expects to expand it with new products being developed globally by its affiliated companies. There are no changes to the operating model and business post year end.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors' consider to be appropriate for the following reasons.

As with all organisations, the Company continues to manage the challenges posed by the COVID-19 pandemic. At the time of preparing the cashflow forecast the majority of markets that epay Limited trades in have few restrictions still in place. These measures now have less of an impact on trade and international travel and the business is working with the changes that have resulted from this period.

Trade through contracts with essential retailers continued through the lock-down periods and after, but at a reduced rate than before. Trade through non-essential High Street retailers was significantly impacted through the initial lock-down period. This trade has increased with the reopening of the stores but is still not at pre-Covid levels. Trade through retailers in travel hubs has also been significantly impacted and, whilst Covid-19 related travel restrictions have been lifted there are other supply and inflationary challenges that are still impacting the sector and have impacted the recovery.

The Company's mitigation strategies during the lockdown periods have included the relocation of all employees to working from home, a cash benefit from the Coronavirus Job Retention Scheme and a temporary cashflow benefit from delayed payments to HMRC. At time of preparing the cashflow forecast the company is no longer using either the Coronavirus Job Retention Scheme or any delays in payments to HMRC. The Company has employed a hybrid home and office working policy and employees are currently working under that policy. This will make the company more resilient to similar challenges in the future.

There are still some areas where trade has not returned to the pre-pandemic levels and there are some areas that continue to outperform the pre-pandemic levels. In addition, inflationary pressure in the UK and Europe has the potential to impact the market for electronic topups and vouchers. It will also impact employee costs and operational costs, which increase the pressure on overall profitability.

Against that background, the Directors' have prepared forecasts for a period up to 30 September 2023. In preparing those forecasts they have considered the impacts of Covid-19 and inflation. Specifically, they have considered a severe but plausible downside scenario in which they have assumed that sales will reduce in the forecast period to September 2023 by 10% in comparison to the actual levels achieved during the previous financial year, 2021. This reflects a reduced level of activity from an already low baseline as 2021 was impacted by the Covid-19 management measures. Additional sensitivities have been applied over working capital to allow for any delays or defaults in collection from customers.

The Forecasts indicate that, through funding from its ultimate parent EURONET WORLDWIDE, INC ("Euronet"). the company will have enough funds, to meet its liabilities as they fall due for that period. Euronet have provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment.

Strategic Report *(continued)*

Going concern *(continued)*

The Directors' believe that Euronet will continue to provide financial support to the Company for the following reasons.

The UK business is a key subsidiary in Euronet, providing a competitive presence for the epay brand in the UK, Ireland and the Nordic countries. Pre-paid mobile top-up currently generates 50% of the transactional margin. The market has been in decline, as the content providers have been converting consumers to longer contract or rolling one-month contracts. Even though revenue from prepaid mobile top-up is declining and is expected to continue to decline, this category is still a significant contributor to gross margins and is still strategically important for Euronet. The losses of revenues from the mobile category are expected to be replaced over time by growth in digital products and distribution, with a significant pipeline of projects that are being developed for market releases over the next few years.

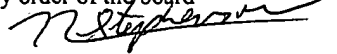
Due to the continuous innovation in these sectors, Euronet is excited about the future prospect of the UK operations and the contributions that it will make to the wider Euronet group, along with the competitive advantage that it provides to the Group.

Epay Ltd also acts as a services hub for the group, providing IT development, management and maintenance services worldwide for the Euronet group, as well as hosting transaction processing for some of the epay group in Europe and Australasia. The Company also provides employee contracting and payroll processing services for the group, enabling IT, finance, commercial development and legal services to other companies in the group worldwide. The current trend is to increase the number of staff that support the group and are contracted to epay Ltd, and therefore to increase the volume of these activities. Therefore, the Directors' expect the company to remain a strategic partner for Euronet and for the parent to continue to support the company, should there be a need for it.

As with any company placing reliance on parent for financial support, the directors acknowledge that there can be no certainty that any of this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so as set out above.

Consequently, the Directors' are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

By order of the board



N Stephenson

Director

Date: 28/09/2022

Kingfisher House
2 Woodbrook Crescent
Billericay
Essex
CM12 0EQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAY LIMITED

Opinion

We have audited the financial statements of epay Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAY LIMITED (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as the high volume, low value nature of the company's revenue transactions means that a large number of transactions would have to be effected to result in a material misstatement..

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls. We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and journals entries with specific descriptions.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and data protection legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPAY LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Bethan Telford (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road
Watford WD17 1DE
United Kingdom

Date: *28 September 2022*

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2021

	<i>Note</i>	2021	2020
		£000	£000
Turnover	2	26,066	23,371
Cost of sales		(21,960)	(19,440)
Gross profit		4,106	3,931
Administrative expenses		(6,811)	(5,526)
Other operating income		923	1,295
Operating loss	3-5	(1,782)	(300)
Other interest receivable and similar income	6	1	30
Interest payable and similar charges	7	(17)	(150)
Loss before taxation		(1,798)	(420)
Tax on loss	8	123	(165)
Loss for the financial year		(1,675)	(585)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,675)	(585)

Notes on pages 15 to 28 form part of the financial statements

Balance Sheet
At 31 December 2021

	<i>Note</i>	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9	49		67	
Tangible assets	10	398		602	
Total fixed assets			447		669
Current assets					
Debtors (including £368,000, 2020: £245,000) due after more than one year	11	12,991		15,043	
Cash at bank and in hand	12	25,262		22,724	
		38,253		37,767	
Creditors: amounts falling due within one year	13	(37,099)		(34,736)	
Net current assets			1,154		3,031
Total assets less current liabilities			1,601		3,700
Creditors: amounts falling due after more than one year	13		(54)		(222)
Net Assets			1,547		3,478
Called up share capital	16		738		738
Share premium account			4,273		4,273
Profit and loss account			(3,464)		(1,533)
Shareholders' funds			1,547		3,478

These financial statements were approved by the board of directors on 28/04/2022 and were signed on its behalf by:



Nigel Stephenson
Director

Company registered number: 03695345

Notes on pages 15 to 28 form part of the financial statements

Statement of Changes in Equity

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2020	738	4,273	(833)	4,178
Total comprehensive income for the period				
Profit or loss	-	-	(585)	(585)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(585)	(585)
Transactions with owners, recorded directly in equity				
Charge in relation to repayment of capital contribution	-	-	(150)	(150)
Equity-settled share based payment transactions	-	-	35	35
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	(115)	(115)
Balance at 31 December 2020	738	4,273	(1,533)	3,478
Balance at 1 January 2021	738	4,273	(1,533)	3,478
Total comprehensive income for the period				
Profit or loss	-	-	(1,675)	(1,675)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(1,675)	(1,675)
Transactions with owners, recorded directly in equity				
Charge in relation to repayment of capital contribution	-	-	(293)	(293)
Equity-settled share based payment transactions	-	-	37	37
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	(256)	(256)
Balance at 31 December 2021	738	4,273	(3,464)	1,547

Notes on pages 15 to 28 form part of the financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

epay Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's immediate parent undertaking is EFT Services Holding B.V. (Netherlands), Rezenegracht 12B, 1016 NB Amsterdam, The Netherlands.

The Company's ultimate controlling parent is Euronet Worldwide, Inc Incorporated in America. Euronet worldwide Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Euronet Worldwide, Inc are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are available to the public and may be obtained from Euronet Worldwide Inc., 4601 College Boulevard, Suite 300, Leawood, Kansas 66211, USA.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Euronet Worldwide, Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Change Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

The financial statements have been prepared on a going concern basis which the Directors' consider to be appropriate for the following reasons.

As with all organisations, the Company continues to manage the challenges posed by the COVID-19 pandemic. At the time of preparing the cashflow forecast the majority of markets that epay Limited trades in have few restrictions still in place. These measures now have less of an impact on trade and international travel and the business is working with the changes that have resulted from this period.

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The Company's mitigation strategies during the lockdown periods have included the relocation of all employees to working from home, a cash benefit from the Coronavirus Job Retention Scheme and a temporary cashflow benefit from delayed payments to HMRC. At time of preparing the cashflow forecast the company is no longer using either the Coronavirus Job Retention Scheme or any delays in payments to HMRC. The Company has employed a hybrid home and office working policy and employees are currently working under that policy. This will make the company more resilient to similar challenges in the future.

There are still some areas where trade has not returned to the pre-pandemic levels and there are some areas that continue to outperform the pre-pandemic levels. In addition, inflationary pressure in the UK and Europe has the potential to impact the market for electronic topups and vouchers. It will also impact employee costs and operational costs, which increase the pressure on overall profitability.

Against that background, the Directors' have prepared forecasts for a period up to 30 September 2023. In preparing those forecasts they have considered the impacts of Covid-19 and inflation. Specifically, they have considered a severe but plausible downside scenario in which they have assumed that sales will reduce in the forecast period to September 2023 by 10% in comparison to the actual levels achieved during the previous financial year, 2021. This reflects a reduced level of activity from an already low baseline as 2021 was impacted by the Covid-19 management measures. Additional sensitivities have been applied over working capital to allow for any delays or defaults in collection from customers.

The Forecasts indicate that, through funding from its ultimate parent EURONET WORLDWIDE, INC ("Euronet"), the company will have enough funds, to meet its liabilities as they fall due for that period. Euronet have provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

The Directors' believe that Euronet will continue to provide financial support to the Company for the following reasons.

The UK business is a key subsidiary in Euronet, providing a competitive presence for the epay brand in the UK, Ireland and the Nordic countries. Pre-paid mobile top-up currently generates 50% of the transactional margin. The market has been in decline, as the content providers have been converting consumers to longer contract or rolling one-month contracts. Even though revenue from prepaid mobile top-up is declining and is expected to continue to decline, this category is still a significant contributor to gross margins and is still strategically important for Euronet. The losses of revenues from the mobile category are expected to be replaced over time by growth in digital products and distribution, with a significant pipeline of projects that are being developed for market releases over the next few years.

Due to the continuous innovation in these sectors, Euronet is excited about the future prospect of the UK operations and the contributions that it will make to the wider Euronet group, along with the competitive advantage that it provides to the Group.

Epay Ltd also acts as a services hub for the group, providing IT development, management and maintenance services worldwide for the Euronet group, as well as hosting transaction processing for some of the epay group in Europe and Australasia. The Company also provides employee contracting and payroll processing services for the group, enabling IT, finance, commercial development and legal services to other companies in the group worldwide. The current trend is to increase the number of staff that support the group and are contracted to epay Ltd, and therefore to increase the volume of these activities. Therefore, the Directors' expect the company to remain a strategic partner for Euronet and for the parent to continue to support the company, should there be a need for it.

As with any company placing reliance on parent for financial support, the directors acknowledge that there can be no certainty that any of this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so as set out above.

Consequently, the Directors' are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Non-derivative financial instruments (continued)

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings and trade and other creditors.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and money held in trust accounts for our trading partners. The company does not have any bank overdraft facilities.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. From 2019 Right of use asset category has been added in line with the IFRS16 lease standard.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements 3 years
- fixtures and fittings 3 years
- Computer equipment 3 years
- Right of use asset Over life of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Computer software 3 years

Notes (continued)

1 Accounting policies (continued)

1.7 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.8 Leases

The Company has applied IFRS 16 using the modified retrospective approach.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset (this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset). If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Previously, the Company recognised operating leases on a straight-line basis over the term of the lease and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee

Notes (continued)

1 Accounting policies (continued)

1.8 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property, in property, plant and equipment. Lease liabilities are presented in Creditors: amounts falling due within one year and Creditors: amounts falling due after more than one year in the balance sheet.

The weighted average incremental borrowing rate applied to lease liabilities recognized at the date of initial application was 2.34%.

1.9 Employee benefits

Share-based payment transactions

The share option programmes allow employees to acquire shares of the parent company, Euronet Worldwide, Inc. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity by way of a capital contribution. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.11 Turnover

Turnover is the total amount receivable from external customers for services provided in the ordinary course of business and excludes value added tax, rebates and discounts. Revenue is recognised as commission received from the mobile airtime networks or other content providers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Notes (continued)

2 Analysis of turnover

Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax.

	2021 £000	2020 £000
Turnover by geographical area:		
United Kingdom	18,433	10,506
Europe	6,250	12,157
Other (USA and Israel)	1,383	-
Eire	-	633
Russia	-	75
	26,066	23,371

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Depreciation and amortisation	388	300
Profit on disposal of assets	-	(10)
Foreign exchange (gain)/loss	(120)	392

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	82	79

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Selling and distribution	12	14
Administration	77	76
	89	90

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	5,228	4,836
Share based payments	37	35
Social security costs	441	432
Contributions to defined contribution plans	77	85
	<u>5,783</u>	<u>5,388</u>

5 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	365	368
Amounts receivable under long term incentive schemes	-	-
Company contributions to money purchase pension plans	9	9
	<u>374</u>	<u>377</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £240,877 (2020: £239,252).

6 Other interest receivable and similar income

	2021 £000	2020 £000
Other interest receivable	-	-
Interest receivable on cash deposits	1	30
	<u>1</u>	<u>30</u>
Total interest receivable and similar income	<u>1</u>	<u>30</u>

7 Interest payable and similar charges

	2021 £000	2020 £000
Interest expense on lease liabilities	17	7
Interest payable to group undertakings	-	143
	<u>17</u>	<u>150</u>
Total other interest payable and similar charges	<u>17</u>	<u>150</u>

Notes (continued)

8 Taxation

Recognised in the profit and loss account

	2021		2020
	£000	£000	£000
<i>UK corporation tax</i>			
Current tax on income for the period	-		-
Adjustment in respect of previous periods	-		(1)
Total current tax		-	(1)
<i>Deferred tax (see note 14)</i>			
Current year	(35)		166
Adjustment in respect of previous periods	-		-
Effect of changes in tax rates	(88)		-
Total deferred tax		(123)	166
Tax on credit		(123)	165

Factors affecting current tax charge

The tax assessed for the year is 19% which is the same as the standard rate of corporation tax in the UK.

Reconciliation of effective tax rate

	2021	2020
	£000	£000
Loss before taxation	(1,798)	(420)
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	(341)	(80)
Adjustments in respect of prior years	-	(1)
Expenses not deductible	2	2
Tax rate changes	(95)	-
Amount not recognised	-	244
Effects of group relief/other reliefs	310	-
Share Options	1	-
Total tax expense	(123)	165

The UK corporation tax rate remains at 19% for the full year (2020: 19%). On 3 March 2021, the Government announced that with effect from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. This increase in the corporation tax rate was substantively enacted on 24 May 2021. The deferred tax assets and liabilities as at 31 December 2021 are therefore calculated based on the 25%, in so far as they are not expected to reverse prior to 1st April 2023. Where the deferred tax assets and liabilities are expected to reverse before April 2023, the deferred tax has been calculated at 19%.

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021. The potential impact of this change on the deferred tax balances at 31 December 2021 is expected to be immaterial.

Notes (continued)

9 Intangible assets

	£000	£000	£000
Cost			
Balance at 1 January 2021	5,367	961	6,328
Additions	-	22	22
Disposals	-	-	-
	<u>5,367</u>	<u>983</u>	<u>6,350</u>
Balance at 31 December 2021	<u>5,367</u>	<u>983</u>	<u>6,350</u>
Amortisation and impairment			
Balance at 1 January 2021	5,367	894	6,261
Amortisation for the year	-	40	40
Impairment for the year	-	-	-
	<u>5,367</u>	<u>934</u>	<u>6,301</u>
Balance at 31 December 2021	<u>5,367</u>	<u>934</u>	<u>6,301</u>
Net book value			
At 1 January 2021	-	67	67
	<u>-</u>	<u>67</u>	<u>67</u>
At 31 December 2021	<u>-</u>	<u>49</u>	<u>49</u>

10 Tangible fixed assets

	Right of use assets	Leasehold improvements	Computer equipment	Fixtures & fittings	Total
Cost					
Balance at 1 January 2021	443	340	1,074	10	1,867
Additions	-	-	144	-	144
Disposals	-	-	-	-	-
	<u>443</u>	<u>340</u>	<u>1,218</u>	<u>10</u>	<u>2,011</u>
Balance at 31 December 2021	<u>443</u>	<u>340</u>	<u>1,218</u>	<u>10</u>	<u>2,011</u>
Depreciation and impairment					
Balance at 1 January 2021	147	340	768	10	1,265
Depreciation charge for the year	162	-	186	-	348
Disposals	-	-	-	-	-
	<u>309</u>	<u>340</u>	<u>954</u>	<u>10</u>	<u>1,613</u>
Balance at 31 December 2021	<u>309</u>	<u>340</u>	<u>954</u>	<u>10</u>	<u>1,613</u>
Net book value					
At 1 January 2021	296	-	306	-	602
	<u>296</u>	<u>-</u>	<u>306</u>	<u>-</u>	<u>602</u>
At 31 December 2021	<u>134</u>	<u>-</u>	<u>264</u>	<u>-</u>	<u>398</u>

Notes (continued)

11 Debtors

	2021 £000	2020 £000
Trade debtors	6,067	7,379
Amounts owed by group undertakings	4,758	4,398
Prepayments and accrued income	1,576	2,799
Taxation & social security	222	222
Due within one year	12,623	14,798
Due after more than one year		
Deferred taxation (see note 14)	368	245
	12,991	15,043

12 Cash and cash equivalents/ bank overdrafts

	2021 £000	2020 £000
Cash at bank held on behalf of others (ref note (a) below)	8,466	6,546
Cash at bank and in hand	16,796	16,178
	25,262	22,724

(a) money held on behalf of content providers in Trust Accounts.

13 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	20,288	17,998
Amounts owed to group undertakings	9,644	8,191
Other creditors	165	119
Accruals and deferred income	6,892	8,345
Lease Liabilities (refer note 18)	110	83
	37,099	34,736

Creditors: amounts falling after more than one year

	2021 £000	2020 £000
Lease liabilities (refer note 18)	54	222
	54	222

Notes (continued)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

The elements of deferred taxation are as follows:

	2021 £000	2020 £000
At beginning of year	245	413
Adjustments in respect of prior years	-	(2)
Charge to the profit and loss account	123	(166)
At end of the year	<u>368</u>	<u>245</u>
	2021 £000	2020 £000
Difference between accumulated depreciation and capital allowances	166	134
Losses carried forward	-	-
Share based payments	13	12
Other	189	99
Deferred tax asset (see note 11)	<u>368</u>	<u>245</u>

15 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £77,000 (2020: £85,000)

16 Capital

Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
162,143 Ordinary shares of £1 each	162	162
121,719 A Ordinary shares of £1 each	122	122
152,219 B Ordinary shares of £1 each	152	152
121,719 C Ordinary shares of £1 each	122	122
152,219 D Ordinary shares of £1 each	152	152
28,208 E Ordinary shares of £1 each	28	28
Shares classified as shareholders funds	<u>738</u>	<u>738</u>

All classes of shares rank pari pasu in all respects.

Notes (continued)

17 Leases as a lessee (IFRS 16)

Right-of-use assets

The following amounts have been recognised in balance sheet as Right of use assets, for which the Company is a lessee. (Refer note 10).

	Land and buildings £000	Plant and equipment £000	Total £000
Net book value as at 1 January 2020	326	5	331
Additions	-	40	40
Depreciation charge for the year	(69)	(6)	(75)
Derecognition of right-of-use assets	-	-	-
Balance at 31 December 2020	257	39	296
Net book value as at 1 January 2021	257	39	296
Additions to right-of-use assets	-	-	-
Depreciation charge for the year	(147)	(15)	(162)
Derecognition of right-of-use assets	-	-	-
Balance at 31 December 2021	110	24	134

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2021 £000	2020 £000
Leases under IFRS 16		
Interest expense on lease liabilities	17	7
Depreciation	162	75
	179	82

Notes (continued)

18 Lease Liability

	£000
Balance At 1 January 2020	337
Additions during the year	40
Interest relating to lease liability	7
Payment of lease liability	(79)
At 31 December 2020	<u>305</u>
Lease Liabilities	
Current	83
Non-current	222
At 31 December 2020	<u>305</u>
Balance At 1 January 2021	305
Disposals during the year	(56)
Interest relating to lease liability	17
Payment of lease liability	(102)
At 31 December 2021	<u>164</u>
Lease Liabilities	
Current	110
Non-current	54
At 31 December 2021	<u>164</u>

19 Commitments and Contingencies

There are no commitment and contingencies relating to the entity which require disclosure in the accounts.

20 Related parties

The company has taken advantage of exemptions under IAS 24 "Related Party Disclosures" not to disclose transactions or balances with entities which are 100% owned by Euronet Worldwide Inc. (because it is a wholly owned subsidiary) and its results are included within the consolidated financial statements which are available to the public and can be obtained from the address given in note 21.

During the year, there were no financial transactions which took place with related parties which fall outside the scope of the exemption included in IAS 24.

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of EFT Services Holding B.V. (Netherlands), Rezenegracht 12B, 1016 NB Amsterdam, The Netherlands. The ultimate controlling party is Euronet Worldwide Inc.

The smallest and largest group in which the results of the company were consolidated is that headed by Euronet Worldwide Inc. incorporated in the United States of America. The consolidated accounts of this group are available to the public and can be obtained from Euronet Worldwide Inc., 4601 College Boulevard, Suite 300, Leawood, Kansas 66211, USA.