

Company Number: 07653641 (England and Wales)

PPRO Financial Ltd
Directors' Report and Financial Statements
For the Year ended 31 December 2020



PPRO Financial Ltd

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PPRO Financial Ltd
Company Information

For the year ended 31 December 2020

Directors

Simon Black
Götz Möller
Stefan Merz

Registered Office

48 Chancery Lane
Holborn
London
WC2A 1JF
United Kingdom

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

PPRO Financial Ltd

Strategic Report

For the year ended 31 December 2020

The directors present the strategic report and the financial statements for the year ended 31 December 2020.

Business Review

PPRO Financial Ltd is an FCA registered e-money institution and provides payment processing for various customers located globally. The company operates from offices based both in the UK and in Germany. PPRO Financial Ltd does not utilize client funds that are held by the company on behalf of third parties as the company has no beneficial interest in these deposits. The company is required to hold client funds in segregated bank accounts to meet regulatory requirements.

There was no change in the basis of preparation of the company's accounts in 2020 compared to the previous financial year.

During the year the company has continued the process of extending its service offering by integrating new payment methods for our customers into the PPRO platform. The relevant costs for these have been capitalised as intangible fixed assets (additions of €1.6m in 2020) with a total net book value as at 31 December 2020 of €5.7m (2019: €4.8m). These assets are being amortised over their useful economic life of 10 years.

Following the restructuring, carve out and ultimate sale of the Issuing business in 2019, 2020 was a year for PPRO Financial Ltd to focus on the payment processing (acquiring) business where management believes the company is best placed to succeed.

Total turnover for the company increased by 19% to €43.5m (2019: €36.4m). In 2019 from 1st January until the carve-out on 30th September, the company had two business units: payment processing revenue (acquiring) was €25.6m in 2019 and e-money (issuing) revenue was €10.9m in 2019. In 2020, taking only acquiring revenues into account, revenue grew by 70%. The gross profit margin increased by 15% to €27.7m (2019: €24m). This was a result of improved pricing for payment processing, increased non transactional revenues and a decrease in our non-deductible input tax.

Administrative costs have decreased from €42.1m in 2019 to €41.5m in 2020. This is mainly due to a decrease in amortization from 2019 due to the fact that the customer relationship intangible asset was related to issuing activities only and are no longer held in PPRO Financial Ltd as a result of the issuing restructuring and carve-out.

The company has acted as a guarantor to its parent company, PPRO Holding GmbH which has a loan of €5.8m from Harbert Speciality Funds as at 31 December 2020.

The financial performance indicator EBITDA has increased from last year, due to an increase in gross profit. The decrease in administration expenses to grow the business and decrease in other income create a net difference of c. €0.2m.

PPRO Financial Ltd

Strategic Report

For the year ended 31 December 2020

The company's key performance indicators during the year were as follows:

	2020	2019
	€	€
Turnover	43,458,356	36,448,701
Gross profit	27,702,691	24,008,436
Operating (loss)	(9,637,750)	(11,886,601)
EBITDA	(8,593,031)	(9,180,402)
Software Development	5,730,793	4,767,093

In order to fully comply with local regulations following BREXIT, PPRO set up PPRO Payment Services S.A. in Luxembourg in 2019. PPRO Payment Services S.A. is a wholly owned subsidiary of the parent company, PPRO Holding GmbH. A Payment institution license was granted by the Luxembourg regulator, CSSF, on 18 November 2020.

PPRO Payment Services S.A. will contract with the EU based payment methods and collect funds to remit to customers, delivering this payout service for customers contracted with PPRO Financial Ltd. In providing this service, PPRO Payment Services S.A. will also maintain the customer funds banking network for the group.

Outlook

Overall, the Group's financial performance in 2020 was slightly below the original pre COVID-19 business case for PPRO, although the acquiring revenue has increased by 70%. The positive evolution is driven by the fact that the sector PPRO is acting in, electronic commerce with a strong focus on the retail segment, is generally profiting from COVID-19 since people worldwide have moved their shopping from the point-of-sale world to the online world.

Since COVID has accelerated this overall trend, no negative impact following COVID is expected. Management monitors this through regular reforecasting.

The Group has continued and will continue to make significant investments in technology and people to drive this growth.

Generally, the Board believes that PPRO is well positioned to continue the pattern of growth.

A summary of the principal risks and uncertainties is shown below.

Principal risks and uncertainties

The principal risks facing the company can be categorized as regulatory environment, market and financial risks.

PPRO Financial Ltd

Strategic Report

For the year ended 31 December 2020

Regulatory risks

The company is a registered payment institution and is required to comply with stringent FCA legislation and requirements within its relevant permissions. The company is aware of the permissions and requirements and meets compliance requirements.

The company has taken measures to ensure it is compliant with its regulatory requirements as an FCA authorised payment institution for the year ending 31 December 2020. In particular the company strictly fulfils the following legislative requirements under the UK Electronic Money Regulations 2011 ("EMRs"):

1. Regulation 19(1): maintaining at all times own funds equal to or in excess of (i) EUR 350,000 or (ii) the amount of own funds requirement calculated in accordance with paragraph 13 of Schedule 2 (subject to adjustment by the FCA).

2. Regulation 20(1), (2): safeguarding funds that have been received in exchange for electronic money that has been issued (referred to as "relevant funds" within the EMRs) in accordance with regulation 21.

3. Regulation 21(1)-(5): Safeguarding relevant funds by:

- Segregating relevant funds from any other funds the company holds [Regulation 21(1)];
- Placing relevant funds in a separate account the company holds with an authorised credit institution based in the EEA [Regulation 21(2)(a)];
- Ensuring such an account is designated in a manner that demonstrates it is an account held for the purpose of safeguarding relevant funds [Regulation 21(3)(a)]; and
- Ensuring such an account is only used for holding such funds [Regulation 21(3) (b)].

4. Regulation 21(5): Keeping adequate records of relevant funds held.

PPRO Financial Ltd as an authorised payment institution has complied with all of the prerequisite applicable requirements set out under Part 2 of the EMRs (in particular regulations 5 and 6) including providing requisite information on the business; a sound business plan; meeting company incorporation requirements; satisfying the FCA of robust governance arrangements in place across the business; and maintaining effective risk-mitigation processes and adequate internal control mechanisms.

A Capital resource deficit was recorded after transfer pricing adjustments were made retroactively for the 2020 financial year. This is detailed in note 24.

PPRO Financial Ltd

Strategic Report

For the year ended 31 December 2020

Market risks

The company operates in a fast changing technology industry. The company maintains up to date payment processing services, functionality and software through development of new software and programs and by purchasing related qualified services from affiliated companies.

The company operates in an electronic funds based industry with risk of fraudulent activity and money laundering. Appropriate KYC (Know-Your-Client) procedures are implemented to adhere to money laundering regulations and stringent controls and procedures are implemented at the transaction level.

In the continuing coronavirus international health emergency, the global market in which PPRO operates has undoubtedly been affected. Any negative developments in the fight against coronavirus, such as new variants or slow global vaccination programmes, may have a significant impact on the business development and earning opportunities for PPRO. Management will continue to review forecasting of revenues and costs, in line with objectives and key results (OKRs) to ensure resources are used in the most efficient and effective manner to mitigate any downturn in global market activity.

Financial risks

The company has treasury and liquidity management procedures in place appropriate to the size and complexity of the business.

The company operates multiple foreign currency bank accounts and generally settles debtors and creditors in matching currencies to mitigate the foreign exchange risk. Foreign currency risk is managed at a Group level, focusing on two distinct areas: Group assets and liabilities and customer transactions (relating to the Group's payment business). Scheme receipts generally match customer payments in each currency.

Credit risk

The company has engaged with a number of banking partners to mitigate the credit risk arising from the failure of a specific bank.

Going Concern

Whilst Coronavirus appears to continue to affect the world, the market in which PPRO operates, electronic commerce with a strong focus on the retail segment, is generally profiting from COVID-19 since people worldwide have moved their shopping from the point-of-sale world to the online world.

Since coronavirus has accelerated this overall trend, no negative impact following COVID is expected. Management monitors this through regular reforecasting.

PPRO Financial Ltd

Strategic Report

For the year ended 31 December 2020

Employees have been able to seamlessly work from home during the pandemic. Management will review office opening procedures when appropriate using government guidance with employee health and safety paramount in any decisions made.

Taking the recent forecasts into account, Management has concluded that PPRO Financial Ltd will continue to operate as a going concern.

Environmental and employee matters

The company undertakes reasonable efforts to safeguard the environment in the execution of business operations by using technology to reduce possible negative impacts. The company considers disclosure to be an essential component of effective corporate governance by placing high value on employees of the organization being able to understand the operations, goals and values.

Approved by the board on 16th September 2021 and signed on its behalf by:



Götz Möller
Director

PPRO Financial Ltd
Directors Report
For the year ended 31 December 2020

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

Directors

The following directors have held office in the current year:

Simon Black
Götz Möller
Stefan Merz

There are no other changes in the above from 1 January 2020 to the date that the accounts are signed.

Going Concern

The financial statement has been prepared under the assumption of going concern.

The directors made and documented a rigorous assessment of whether the company is a going concern when preparing the annual financial statements. The directors' review covered a period of 3 years going forward plan and considered all available information about the future.

The process carried out was proportionate in nature and depth given the materiality, level of financial risk and complexity of the company and its operations.

The directors concluded that there are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern; and that there are no material uncertainties related to events or conditions that may cast significant doubt about the company's ability to continue as a going concern.

Dividends

The directors do not recommend making payments by way of dividend (2019: nil).

Disclosure of information to the 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'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's auditors are aware of that information.

PPRO Financial Ltd
Directors Report
For the year ended 31 December 2020

Auditor

A resolution to appoint the company's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Board of Directors on 16th September 2021 and signed on its behalf by:



Götz Möller
Director

PPRO Financial Ltd
Statement of Directors' Responsibilities
For the year ended 31 December 2020

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 the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 and loss of the company for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

PPRO Financial Ltd
Independent Auditors Report to the members of PPRO Financial Ltd

For the year ended 31 December 2020

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PPRO Financial Limited ("the Company") for the year ended 31 December 2020 which comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the 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 international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

PPRO Financial Ltd
Independent Auditors Report to the members of PPRO Financial Ltd

For the year ended 31 December 2020

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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, 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.

PPRO Financial Ltd
Independent Auditors Report to the members of PPRO Financial Ltd
For the year ended 31 December 2020

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, those resulting from being authorised by the Financial Conduct Authority to undertake regulated activities and relevant accounting standards.

We considered compliance with laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;

PPRO Financial Ltd
Independent Auditors Report to the members of PPRO Financial Ltd

For the year ended 31 December 2020

- enquiries of directors and management;
- testing of journal postings made during the year to identify potential management override of controls; and
- review of meeting minutes throughout the period.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

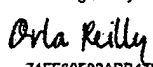
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://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 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.

DocuSigned by:

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Orla Reilly (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

16 September 2021

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

PPRO Financial Ltd
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	Note	2020 €	2019 €
Revenue	2	43,458,356	36,448,701
Cost of sales		(15,755,665)	(12,440,265)
Gross profit		27,702,691	24,008,436
Administrative expenses		(41,513,125)	(42,057,298)
Other operating income	3	4,172,684	6,162,261
Operating Loss	4	(9,637,750)	(11,886,601)
Interest receivable and other financial income	7	10,295	13,160
Interest payable and other financial expense	8	(148,424)	(30,917)
Loss on ordinary activities before taxation		(9,775,879)	(11,904,358)
Tax on profit on ordinary activities	9	375,415	1,101,012
Loss for the financial year		(9,400,464)	(10,803,346)
Other Comprehensive Income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Valuation movement on equity investments	19	32,484	246,879
Tax related to items that will not be reclassified	9	(6,172)	(46,906)
Other comprehensive income for the year, net of tax		26,312	199,973
Total comprehensive Loss for the year		(9,374,152)	(10,603,373)

The notes on pages 21 to 42 form an integral part of these financial statements.

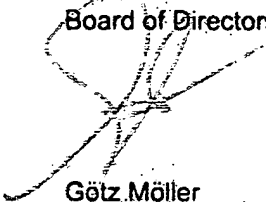
PPRO Financial Ltd
Statement of Financial Position
For the year ended 31 December 2020

	Note	2020 €	2019 €
Assets			
<i>Non-current assets</i>			
Intangible assets	11	6,347,466	5,284,626
Property, plant and equipment	12	366,616	74,822
Right of use asset	12	811,164	34,821
Fair value through other comprehensive income investments	19	826,553	794,069
Deferred tax asset	10	1,388,281	1,388,281
Total non-current assets		9,740,080	7,576,619
<i>Current assets</i>			
Inventories	14	-	-
Trade and other receivables	15	6,480,816	4,211,710
Cash at bank and in hand		310,610	592,968
Total current assets		6,791,426	4,804,678
Total Assets		16,531,507	12,381,297
Equity and liabilities			
<i>Capital and reserves</i>			
Called up share capital	17	542,625	542,625
Capital reserves	18	16,457,500	12,457,500
Other reserves	18	168,143	168,143
Equity investment reserve	18	735,140	708,828
Profit and loss account	18	(16,586,939)	(7,186,475)
Total Equity		1,316,469	6,690,621
<i>Non-current liabilities</i>			
Deferred tax liabilities	10	441,803	376,343
Lease liabilities		895,780	-
Total non-current liabilities		1,337,583	376,343
<i>Current liabilities</i>			
Trade and other payables	16	13,877,454	5,314,333
Total equity and liabilities		16,531,507	12,381,297

PPRO Financial Ltd
Statement of Financial Position
For the year ended 31 December 2020

The notes on pages 21 to 42 form an integral part of these financial statements.

The financial statements on pages 3 to 42 were approved and authorised for issue by the Board of Directors on 16th September 2021 and were signed on its behalf by:



Götz Möller
Director

PPRO Financial Ltd
Statement of Changes In Equity
For the year ended 31 December 2020

	Share Capital	Capital Reserve	Equity investment reserve	Other Reserves	Retained Earnings	Total Equity
	€	€	€	€	€	€
Balance at 01 January 2019	542,625	8,457,500	508,855	168,143	3,616,871	13,293,995
Increase in capital reserves		4,000,000				4,000,000
(Loss) for the year	-	-	-	-	(10,803,346)	(10,803,347)
Other comprehensive income - revaluation gain on Visa Inc. share	-	-	199,973	-	-	199,973
Balance at 31 December 2019	542,625	12,457,500	708,828	168,143	(7,186,475)	6,690,621
Balance at 01 January 2020	542,625	12,457,500	708,828	168,143	(7,186,475)	6,690,621
Increase in capital reserves		4,000,000				4,000,000
(Loss) for the year	-	-	-	-	(9,400,464)	(9,400,464)
Other comprehensive income - revaluation gain on Visa Inc. share	-	-	26,312	-	-	26,312
Balance at 31 December 2020	542,625	16,457,500	735,140	168,143	(16,586,939)	1,316,469

PPRO Financial Ltd
Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 €	2019 €
Cash flows from operating activities			
(Loss) for the year		(9,400,464)	(10,803,346)
Adjustment for:			
Depreciation, amortisation and impairment charges	11, 12	1,068,117	11,194,554
Net interest payable		138,130	17,757
Tax (credit)		(375,415)	(1,101,012)
Exchange loss/(gain) on third party deposits		4,830	(15,068)
		<u>(8,564,802)</u>	<u>(707,115)</u>
(Increase)/Decrease in trade and other receivables		(1,855,254)	584,129
Decrease in inventories		-	158,045
Increase/(Decrease) in trade and other payables		8,493,743	(1,332,731)
Cash (loss) from operations		<u>(1,926,313)</u>	<u>(1,297,673)</u>
Tax received		12,109	784,361
<i>Net cash (outflow) from operating activities</i>		<u>(1,914,204)</u>	<u>(513,312)</u>
Investing activities			
Investment in intangible assets		(1,862,415)	(3,221,822)
Purchase of tangible fixed assets		(343,581)	(22,021)
Disposal of tangible fixed assets		164	-
Deposits received/(paid)		73,291	(44,373)
Deferred cash consideration received		-	54,689
Capitalisation of Right of Use asset		(993,263)	(34,821)
<i>Net cash used in investing activities</i>		<u>(3,125,804)</u>	<u>(3,268,349)</u>
Financing activities			
Cash proceeds from capital investment		4,000,000	4,000,000
Recognition of lease liability (IFRS 16)		895,780	-
Interest received		10,295	13,160
Interest paid		(148,424)	(30,917)
<i>Net cash from financing activities</i>		<u>4,757,650</u>	<u>3,982,243</u>
Net (decrease)/increase in cash and cash equivalents		<u>(282,357)</u>	<u>200,582</u>
Cash and cash equivalents at beginning of year		592,968	392,386
Cash and cash equivalents at end of year		310,610	592,968

PPRO Financial Ltd
Notes to the Financial Statements
For the year ended 31 December 2020

1. Basis of preparation

The financial statements of PPRO Financial Ltd at 31 December 2020 have been drawn up in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

This section sets out the accounting policies of PPRO Financial Ltd that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

The financial statements are prepared on a going concern basis.

Whilst there are still uncertainties as to what impact coronavirus will have in the coming years, through regular reforecasting, management assumes coronavirus will not have a significant negative impact on the financial performance of PPRO Financial Ltd, but might merely have an impact on the growth of the business.

Therefore, management has concluded that the business should be considered as a going concern.

The Company is incorporated in the United Kingdom and registered in England and Wales.

1.1 Changes in accounting policies

The following standards had to be applied for the first time during the reporting period but did not have any material impact:

- Amendments to IFRS 3 Business Combination
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Following the UK exit from the EU on 31 December 2020, UK registered entities preparing accounts under IFRS will be required to use UK-Adopted International Accounting Standards for financial periods beginning on or after 1 January 2021.

The UK Endorsement Board (UKEB) has been set up to endorse and adopt new or amended International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

PPRO Financial Ltd
Notes to the Financial Statements
For the year ended 31 December 2020

Impact of new accounting standards

PPRO Financial Limited does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The following is a list of other new and amended standards which had been issued by the IASB but which are effective in future periods.

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 1 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021)

1.2 Accounting policies

Intangible Assets

Intangible assets consist of licenses, acquired and internally developed software.

Acquired customer relationships were fully impaired in 2019 due to the carve out of the issuing business which took place in 2019.

Self-developed Software (PPRO Financial LTD.) is recognized at development cost and amortised over the estimated lifetime cycle of the software, which is 10 years.

Capitalization costs are based on the assessment by management that technical and commercial viability has been established; as a rule this will be the case where a product development project has reached an assessable level. Development costs are capitalised in accordance with the amount of time spent by the development team on the project and amortised accordingly over time from the moment the product is ready for use. During the development phase an annual impairment test is performed to ensure the assumptions that management have made are valid.

Research costs are expensed through profit and loss in the period in which they occur. The cost of development activities are capitalised at that moment when the development can be reliably assessed, this means that the product or process is technically and commercially viable and a future economic benefit is probable.

Licenses are recognized at development cost and amortised over the estimated lifetime, which is 10 years.

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Property, plant and equipment

The costs of property, plant and equipment comprise the purchase price including any ancillary acquisition costs. Maintenance and repair costs are charged to profit and loss as incurred.

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life.

Office furniture & equipment	5 years straight line
Fixtures & Fittings	3 years straight line
Computer equipment	3 years straight line

Financial Assets

Financial assets are recognized in the statement of financial position if the company has a contractual right to receive cash or cash equivalents or other financial assets from some other party. Financial assets are reported and evaluated in accordance with IFRS 9 (Financial Instruments: Recognition and Measurement).

The carrying amounts of each of the following categories as specified in IFRS 9, shall be disclosed either in the statement of financial position or in the notes:

- Fair value through profit or loss.
- Fair value through other comprehensive income.
- Amortised cost.

The company classifies its financial assets at the time of the initial recognition. Financial assets are measured at fair value when initially recognized. When financial instruments are not classified at fair value in profit or loss, transaction costs directly assignable to the acquisition of the assets are additionally taken into account.

The company's financial assets comprise cash as well as current deposits, trade receivables, loans and other receivables. The following valuation of financial assets depends on their classification as detailed below:

Fair value through profit or loss

Financial assets to be measured at fair value through profit or loss comprises financial assets held for trading and financial assets designated as measured at fair value through profit or loss at initial recognition (fair value option). The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being fair value through profit or loss.

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Fair value through other comprehensive income investments

The company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the company considers this measurement to be the most representative of the business model for these assets. Equity investments are measured at Fair Value Through Other Comprehensive Income (FVOCI) under IFRS 9. All fair value movements in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve.

The VISA shares held by the company are considered to be an equity investment, and as such have been classified as fair value through other comprehensive income.

Amortised cost

Financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents include cash in hand and other short term highly liquid cash accounts.

An impairment provision assessment was carried out under the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. The assessment demonstrated that the losses incurred from trade receivables over 3 years should be between 3-4% of the total trade receivables balance. The impairment provision is in line with the company's accounting policy of providing a provision on outstanding invoices greater than 60 days.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Derecognition

A financial asset is derecognized if one of the following requirements has been met:

- The contractual rights to receive cash flows from a financial asset have expired.
- Financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount

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reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

If the company transfers its contractual rights to cash flows arising from an asset or enters into a "pass-through" arrangement and thereby does not mainly transfer or retain all opportunities or risks associated with this asset, but retains control of the asset transferred, the company recognizes an asset to the extent of this ongoing commitment.

In this case, the company also recognizes an associated liability. The transferred asset and the associated liabilities are measured in such a manner as to duly take account of the rights and obligations retained by the company. If the ongoing commitment takes the form of guaranteeing the asset transferred then the scope of the ongoing commitment will correspond to the lower of either the original carrying amount of the asset or the maximum amount of the consideration received that the company might have to repay.

Cash and cash equivalents

Cash in hand and demand deposits are classified as cash, whilst cash equivalents comprise current, liquid financial investments that can be converted at any time into certain amounts of cash.

Trade receivables impairment provisions

A trade receivable is impaired when there is objective evidence that, due to events since the trade receivable was created, the company cannot recover the original expected cash flows from the trade receivable. The impairment loss is the difference between the carrying value and the present value of estimated future cash flows.

Financial liabilities

The company classifies its financial liabilities on initial recognition. Financial liabilities are recognized initially at fair value, plus directly attributable transaction costs in the case of loans. The company's financial liabilities include trade and other payables, bank overdrafts, and loans.

Liabilities measured at amortised cost

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the income statement if the financial investments are derecognized, or within the scope of amortisation.

Fair value of financial instruments

According to IFRS 13, fair value is defined as the price that would, in a normal transaction between market participants on the measurement date, be received for the sale of an asset, or be paid for the transfer of liability.

The fair value of financial instruments that is traded on an organized financial market at the reporting date is categorized in Level 1 of the fair value hierarchy. Most of the financial instruments of the company are categorized in Level 1 as the carrying amounts correspond to their fair values based on the observable contractual obligations for both receivable amounts that are expected to be recovered and payable amounts that are expected to be paid at the value that they are carried at in the financial statements.

For those instruments where there is no market quotation on the active market, fair value is calculated using observable market prices for comparable instruments, or using standard market valuation methods. This entails applying measurement parameters that are observable either directly or indirectly on active markets (Level 2 of the fair value hierarchy). This may include using techniques like recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. The company does not consider any of its financial instruments to fall into the Level 2 category.

For those financial instruments, where fair value cannot be calculated either directly using market quotations, or indirectly through valuation models that are based on observable measurement parameters or other market quotations, these are classified as relating to Level 3 of the fair value hierarchy. The value of the Visa Europe share is the only financial instrument that the company holds which falls under the level 3 category.

Equity instruments

Equity instruments issued by the company are recognized at the proceeds received net of direct issue costs in share capital and capital reserve.

Contingent liabilities and receivables

Contingent liabilities are not recognized. These are listed in the Notes unless it is very likely that there will be an outflow of resources. Contingent receivables are also not recognized in the financial statements. If the economic benefit is likely to occur they are reported in the Notes as well.

Provisions

Provisions are recognized if the company has an obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfil the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported

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under liabilities. The costs of setting up provisions are reported in the income statement. Gains resulting from the reversal of provisions are recognized under other operating income.

Related parties

In accordance with IAS 24 (related party disclosure), parties related to the company comprise the members of the Management Board of PPRO Holding GmbH and its subsidiaries.

Foreign exchange

The financial statements of the company are presented in Euro, which is the functional currency of the company and the presentational currency of the Group.

If foreign exchange occurs the company will handle as following:

- The assets and liabilities of the company are translated at the rate prevailing at the end of the reporting period.
- Income and expenses are translated at the rate prevailing on the transaction date or the average rate for the period.
- Equity elements are translated at the date of the transaction and not retranslated in subsequent periods.

Foreign currency transactions are initially recorded at the rate ruling on the date of the transaction.

1.3 Critical accounting estimates and judgements

Revenue

Purely in the relation to the comparative period, when Viabuy customers from the in the meantime sold issuing business accepted the terms and conditions online to obtain a Viabuy prepaid card, PPRO fulfilled the contractual obligations by sending out the prepaid cards to the end customers. The performance obligation was satisfied and subsequently revenue was recognised. This revenue stream is longer relevant following the carve out of the issuing business in 2019.

The significant estimates were inherent within the calculation of the accrued income balance at the reporting date. The accrued revenue for the 2019 year end comprised of additional revenue for Viabuy prepaid cards already sent to the customer. The true up was based on cohorts over the last years, where reliable data on paid customers had been applied.

Impairment of Intangible assets

After initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses (if applicable). The capitalization of software development costs is based on estimates of time spent on their development.

Annually, management assesses whether there are any indications of impairment of the intangible asset which could result in an impairment review. This assessment considers if the intangible asset still has revenue generating capabilities by taking into account revenue growth over the period and the activity ratio of customers.

Income and deferred taxes

The company's tax charge on ordinary activities is applied in respect of the reference rate published by HMRC. As an integral part of this process, the company applies its judgement in order to determine the tax charge applying to those matters for which the final tax treatment is considered by the company to be uncertain.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recognized according to IAS 12 in the current and deferred income tax assets and liabilities in the period in which such determination is made.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities and assets are set up accordingly for all temporary differences between the value of the assets and liabilities in the tax balance sheet and the values in the company's balance sheet.

Deferred tax assets relating to benefits of unutilised tax losses carried forward are capitalised to the extent with which it can be assumed with an adequate degree of probability that the company will be able to generate sufficient taxable income in future. Deferred tax assets are calculated on the basis of the applicable tax rates.

Deferred taxes are recognized as tax income or tax expenses in the income statement, unless they relate to items directly recognized in equity with no impact on profit or loss. In this case deferred taxes are recognized directly in equity without any effect to the profit and loss statement.

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2. Revenue

In 2020, the main revenue generating business segment is payment processing. The e-money revenue stream was carved out and ultimately sold to Crosscard in 2019.

	2020	2019
	€	€
Payment Processing	43,458,356	25,598,211
E-Money	-	10,850,490
Total	43,458,356	36,448,701

Deferred and Accrued revenue for contracted assets and liabilities:

	2020	2019
	€	€
Opening deferred revenue balance	-	879,522
Closing deferred revenue balance	-	-
Revenue recognised as a result of deferred revenue	-	879,522
Accrued revenue	-	-

The revenue is separated into payment processing and E-money categories in the following table which is intended to:

- depict how the nature and amount of revenue and cash flows are affected by economic date; and
- enable users to understand where the top % of payments are taking place.

Primary Geographical Markets	Payment Processing		E-Money B2C	
	2020	2019	2020	2019
	€	€	€	€
Germany	8,545,335	3,558,612	-	2,518,117
France	440,832	315,479	-	1,749,714
Netherlands	11,608,042	7,102,400	-	878,533
Italy	553,528	244,094	-	765,896
Austria	3,214,600	2,072,925	-	1,257,100
Poland	7,641,114	4,539,658	-	142,127
Belgium	6,151,550	2,537,667	-	951,686
Czech Republic	55,085	47,160	-	3,130
Luxembourg	8,857	6,294	-	8,427
Other countries	5,239,413	5,173,922	-	2,575,760
Total	43,458,356	25,598,211	-	10,850,490

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3. Other Operating Income

Other Operating Income is made up of:

	2020	2019
	€	€
Income from provision of services to other Group companies	4,172,504	6,061,909
Other income	180	100,352
Total	4,172,684	6,162,261

4. Operating Loss

Operating loss stated after charging:

	2020	2019
	€	€
Depreciation	268,543	166,558
Amortisation	776,177	2,539,640
Auditors' remuneration for audit services	88,000	88,000
Auditors' remuneration for non-audit services	-	43,710
Marketing & selling costs	14,809,496	15,545,231
Foreign currency gains and losses	300,948	8,652
Research and development cost expensed	1,533,693	895,040
Non-deductible VAT	22,060	2,323,240
Rent/Leases	-	9,679

5. Particulars of employees

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

	2020	2019
	No.	No.
Administration and support	56	61
Production	33	27
Research and development	1	2
Sales, marketing and distribution	37	37
Other departments	2	2
Total	129	129

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The aggregate payroll costs were:

	2020	2019
	€	€
Wages and salaries	9,472,380	9,902,456
Social security costs	1,557,147	1,504,579
	<u>11,029,527</u>	<u>11,407,035</u>

6. Directors Remuneration

The directors' remuneration (executive and non-executive) for the year was as follows:

	2020	2019
	€	€
Short term employee benefits	369,249	694,882
Post-employment benefits	20,055	27,364
Other long-term benefits	-	-
Termination benefits	-	-
	<u>389,304</u>	<u>722,246</u>

In 2020, a transfer pricing method based on profit share replaced the previous "cost plus" method. The previous method led to director costs recognised in PPRO Financial Limited recharged from another Group company.

The remuneration includes employer pension contributions of €20,055 (2019: €27,364).

The highest paid director's remuneration amounted to €389,304 (2019: €415,603).

7. Interest Receivable and other financial income

	2020	2019
	€	€
Bank interest receivable	10,295	7,203
Interest on loans to group undertakings	-	5,957
	<u>10,295</u>	<u>13,160</u>

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8. Interest payable and other financial expense

	2020	2019
	€	€
Other interest payable	148,424	30,917
	<u>148,424</u>	<u>30,917</u>

9. Taxation

	2020	2019
	€	€
Tax on profit on ordinary activities		
Analysis of tax charge/(credit) for the period		
Current tax		
UK corporation tax at 19.00% (2019: 19.00%)	-	-
Adjustment in respect of prior periods	(434,703)	550,637
Total current tax charge/(credit)	<u>(434,703)</u>	<u>550,637</u>
Deferred tax		
Origination and reversal of temporary differences	-	(4,910)
Adjustments in respect of prior periods	59,288	(258,195)
Total deferred tax charge/credit)	<u>59,288</u>	<u>(263,105)</u>
Tax on (loss)/profit on ordinary activities	<u>(375,415)</u>	<u>287,532</u>
Tax relating to other comprehensive income		
Deferred tax		
Origination and reversal of temporary differences	6,172	46,642
Tax relating to other comprehensive income	<u>6,172</u>	<u>46,642</u>
Provision for deferred tax		
Fixed asset temporary differences	283,086	239,855
Short term temporary differences	1,672	1,496
Capital gains	157,045	134,992
Tax losses carried forward	(1,388,281)	(1,388,281)
Total deferred tax asset	<u>(946,478)</u>	<u>(1,011,938)</u>
Movement in provision:		
Provision at start of the period	(1,011,938)	592,805
Deferred tax charged in the statement of comprehensive income for the period	6,172	(1,346,548)

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Deferred tax charged in the statement of comprehensive income	59,288	(258,195)
Provision at end of period	(946,478)	(1,011,938)

Reconciliation of tax charge

Loss on ordinary activities before tax	(9,775,879)	(11,904,358)
Tax on loss on ordinary activities at standard CT rate of 19% (2019: 19%)	(1,857,417)	(2,261,828)
Effects of:		
Expenses not deductible for tax purposes	161,340	1,016,089
Additional deduction for R&D tax credit	(444,851)	-
Amount not recognised	1,914,292	(530,483)
Income not taxable	(60)	-
Adjustments to tax charge in respect of previous periods	-	292,442
Effects of group relief/other reliefs	-	387,678
Effective changes in tax rates	(148,719)	(4,910)
Tax credit for the period	(375,415)	(1,101,012)

10. Deferred Tax

The following is the analysis of deferred tax asset/liabilities presented in the statement of financial position.

	2020	2019
	€	€
Deferred tax asset arising from tax losses carried forward	1,388,281	1,388,281
Deferred tax liability:	€	€
Arising on income recognized in other comprehensive income:		
Fair value re-measurement of available for sale financial assets	157,045	134,992
Arising from accelerated capital allowances	284,758	241,351
Deferred tax liability at period end	441,803	376,343

A deferred tax asset of €3,242,253 has not been recognised on losses at 31 December 2020 due to the uncertainty about the utilisation of these losses in future periods. The carried forward loss of €1,388,281 has been maintained in 2020 as the company is confident these losses will be utilised in future periods.

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The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date. As a result, deferred tax balances as at 31 December 2020 continue to be measured at 19% (2020: 19%).

11. Intangible Assets

	Licenses	Development Costs	Development Costs (Work In Progress)	Customer Relationships	Total
	€	€	€	€	€
Cost					
Balance at 1 January 2019	1,020,353	5,660,784	-	16,186,727	22,867,864
Additions	167,002	2,172,747	-	882,073	3,221,822
Transfer	169,346	(73,853)	-	(95,494)	-
Balance at 31 December 2019	1,356,701	7,759,678	-	16,973,307	26,089,686
Balance at 1 January 2020	1,356,701	7,759,678	-	16,973,307	26,089,686
Adjustment*	(238,557)	(696,248)	-	(16,973,307)	(17,908,112)
Additions	254,820	1,420,645	186,950	-	1,862,415
- of which internally developed	-	1,416,933	186,950	-	1,603,883
- of which acquired	254,820	3,712	-	-	258,532
Disposal	-	(23,397)	-	-	(23,397)
Balance at 31 December 2020	1,372,964	8,460,677	186,950	-	10,020,591

Accumulated Amortisation and Impairment

Balance at 1 January 2019	586,139	1,465,130	-	7,591,489	9,642,759
Amortisation	91,530	527,700	-	1,920,410	2,539,640
Impairment	161,498	999,756	-	7,461,407	8,622,661
Balance at 31 December 2019	839,168	2,992,586	-	16,973,307	20,805,060
Balance at 1 January 2020	839,168	2,992,586	-	16,973,307	20,805,060
Adjustment*	(238,557)	(696,248)	-	(16,973,307)	(17,908,112)
Amortisation	155,681	620,496	-	-	776,177
Impairment	-	-	-	-	-
Balance at 31 December 2020	756,292	2,916,834	-	-	3,673,125

Carrying amounts

At 31 December 2019	517,534	4,767,092	-	-	5,284,626
At 31 December 2020	616,673	5,543,844	186,950	-	6,347,466

*Adjustment to derecognise fully amortised assets no longer in use.

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Impairment loss in 2019 resulted from analysis of intangible assets when carving out the Issuing business prior to the ultimate sale.

Internally generated development costs have been capitalised and not yet amortised for work on a project due to be completed in 2021 (Work in progress).

12. Property, Plant and Equipment

	Fixtures and fittings	Office furniture & Equipment	Computer equipment	Total
	€	€	€	€
Cost				
Balance at 1 January 2019	49,436	108,159	18,111	175,706
Additions	-	-	22,021	22,021
Transfer	-	-	-	-
Balance at 31 December 2019	49,436	108,159	40,132	197,727
Balance at 1 January 2020	49,436	108,159	40,132	197,727
Additions	262,738	56,873	23,970	343,581
Disposals	(2)	(161)	(1)	(164)
Balance at 31 December 2020	312,172	164,871	64,101	541,144

Accumulated Depreciation

Balance at 1 January 2019	30,212	48,320	12,120	90,652
Depreciation	16,478	7,520	8,255	32,253
Balance at 31 December 2019	46,690	55,840	20,375	122,905
Balance at 1 January 2020	46,690	55,840	20,375	122,905
Depreciation	30,897	9,706	11,020	51,623
Balance at 31 December 2020	77,587	65,546	31,395	174,528

Carrying amounts

At 31-December 2019	2,746	52,319	19,757	74,822
At 31 December 2020	234,585	99,325	32,706	366,616

Right of Use Asset

	2020	2019
	€	€
Office Building (In accordance with IFRS16. Note 13)	811,164	34,821
	<u>811,164</u>	<u>34,821</u>

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13. Leases

Property, Plant and Equipment

		Office Space	TOTAL
		€	€
Right-of-use asset	Depreciation during the period	216,920	216,920
	Carrying amount as of 31/12/2020	811,164	811,164
	Addition of 5 year lease for new office space. Leased from March 2020 with initial rent free period.	993,263	993,263
	Income from sub-leasing of right-of-use assets	-	-
Liability	Interest expenses from leases		124,583
Other	Expenses relating to short-term leases (<12 month)		-
	Expenses relating to leases of low value assets		1,139
	Expenses relating to variable lease payments not included in lease payments		-
	Total cash outflow for leases		1,139

Ageing of outstanding lease liability

	2020	2019
	€	€
Due within 1 year	222,065	-
Due between 1 and 5 years	895,780	-
Due later than 5 years	-	-

Leasing activities in PPRO Financial Ltd relate to office space (Right of Use asset detailed above) and office equipment (included in short term leases).

14. Inventories

	2020	2019
	€	€
Opening balance	-	158,044
Purchased	-	343,684
Issued	-	(300,672)
Impaired	-	(201,056)
Closing balance	-	-

Inventories were previously associated with the issuing business which was carved out and ultimately sold in 2019. There are no inventories associated with payment processing.

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15. Trade and other receivables

	2020	2019
	€	€
Trade receivables	4,118,360	3,415,917
Amounts owed by group undertakings	229,970	-
Other debtors and accrued income	391,067	459,748
Prepayments	340,259	313,788
VAT receivable	956,309	-
Corporation tax asset	444,851	22,257
	<u>6,480,816</u>	<u>4,211,710</u>

The carrying value of trade and other receivables classified at amortised cost approximates fair value. The expected loss rates are based on the company's historical credit losses experienced over the 3 year period prior to the period end. The historical loss rates are then adjusted for current and forward looking information on macroeconomic factors affecting our customers. PPRO Financial does not hold any collateral as security.

16. Trade and other payables (amounts falling due within one year)

	Note	2020	2019
		€	€
Trade Payables		606,903	1,765,461
<i>Customer funds</i>		-	176,873
Amounts owed to group undertakings		8,873,572	429,836
Other taxes and social security		161,255	188,731
VAT liability		238,338	592,111
Accruals and deferred income		3,775,323	2,338,194
Lease Liability	13	222,065	-
		<u>13,877,454</u>	<u>5,314,333</u>

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17. Share Capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	€	No.	€
Ordinary shares of £1.00 each	100	125	100	125
Ordinary A shares of €1.00 each	542,500	542,500	542,500	542,500
	<u>542,600</u>	<u>542,625</u>	<u>542,600</u>	<u>542,625</u>

Fully paid ordinary shares of £1.00 each carry one vote per share and a right to dividends.

Fully paid ordinary shares of €1.00 each also carry one vote per share and a right to dividends.

No new shares were issued by the company during the year.

18. Reserves

18.1 Retained Earnings

	2020	2019
	€	€
At 1 January	(7,186,475)	3,616,871
(Loss) for the year	(9,400,464)	(10,803,346)
At 31 December	<u>(16,586,939)</u>	<u>(7,186,475)</u>

18.2 Other Reserves

	2020	2019
	€	€
At 1 January	168,143	168,143
At 31 December	<u>168,143</u>	<u>168,143</u>

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18.3 Capital reserves	2020	2019
	€	€
At 1 January	12,457,500	8,457,500
Capital Increase	4,000,000	4,000,000
At 31 December	<u>16,457,500</u>	<u>12,457,500</u>

18.4 Equity investment reserve	2020	2019
	€	€
At 1 January	708,828	508,855
Other comprehensive income	26,312	199,973
At 31 December	<u>735,140</u>	<u>708,828</u>

19. Equity Investment

	2020	2019
	€	€
VISA Inc. shares (Class A)	409,974	-
VISA Inc. shares (Class B)	416,579	794,069
	<u>826,553</u>	<u>794,069</u>

	VISA Inc.	Total
	Shares	
Movement in equity investment		
At 1 January	794,069	547,190
Fair value movement 2020	32,484	246,879
At 31 December	<u>826,553</u>	<u>794,069</u>

The VISA Inc. preference shares received in return for the VISA Inc. share have been recognized as equity investment and are measured as fair value through OCI.

The shares have been recognized as Equity investment and they are not expected to be sold in the foreseeable future.

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Fair value hierarchy:

The following asset types are carried at fair value after initial recognition.

The company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

- level 1: quoted (unadjusted) prices in active markets for identical assets;
- level 2: other techniques where all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly; and
- level 3: techniques where inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Total	Level 1	Level 2	Level 3
	€	€	€	€
Equity investment	826,553	409,974	416,579	-
Total at 31 December 2020	826,553	409,974	416,579	-
Equity investment	794,069		794,069	-
Total at 31 December 2019	794,069	-	794,069	-

The VISA Inc. preference shares are classified as Level 1 and Level 2 equity investments.

Level 1 investments relate to the Class A preference shares which were converted from Class B preference shares in September 2020. These Class A shares can be freely traded for Class A Common stock but there are currently no plans for PPRO Financial Ltd to do this.

Level 2 investments relate to the Class B preference shares in VISA Inc. The value is calculated based on a number of variable inputs such as the value of the A class VISA Inc. share and the conversion rate as determined by VISA Inc.

20. Related party transactions

At the statement of financial position date the amount due to PPRO Holding GmbH, the parent company, was €8,178,307 (2019: €33,755).

At the statement of financial position date the amount due from PPRO Technology & Services Srl, a company under common control, was €nil (2019: €5,785).

At the statement of financial position date the amount due to PPRO Payment Services S.A., a company under common control, was €nil (2019: €138,736).

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At the statement of financial position date the amount due to PPRO Inc, a company under common control, was €204,914 (2019: €129,102).

At the statement of financial position date the amount due to PPRO Pte, a company under common control, was €260,381 (2019: €134,028).

	Income		Expenses	
	2020	2019	2020	2019
	€	€	€	€
PPRO Holding GmbH	347,233	-	14,416,499	3,983,155
Mr. Cash Wallet Solutions LTD	-	3,271,917	-	2,003,359
Pay Plus Services GmbH	-	-	-	4,404,233
WKV Prepaid GmbH	754,727	1,952,243	-	-
PPRO Technology & Services Srl	-	-	-	486,560
PPRO Inc.	90,869	-	1,577,248	1,708,623
PPRO Payment Services S.A	114,163	837,749	2,548,583	1,390,992
Allpago GmbH	2,726,412	-	5,072,072	-
PPRO PTE	139,101	-	2,319,482	837,627
	4,172,504	6,061,909	25,933,884	14,814,549

In 2020, a new transfer pricing model based on profit share within the entities was introduced, to replace the "cost plus" method used in prior years.

21. Compensation of key management personnel

Management of the company do not receive remuneration for specific services provided to PPRO Financial only. The compensation of key management is considered within the group transfer pricing agreements. In 2019, using a cost plus method, a portion of these costs were directly recognised in PPRO Financial Ltd.

The remuneration of the company Executive Committee and shareholders who are considered to be key management personnel of the company is set out below:

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	2020	2019
	€	€
Short term employee benefits	369,249	694,882
Post-employment benefits	20,055	27,364
Other long-term benefits	-	-
Termination benefits	-	-
	<u>389,304</u>	<u>722,246</u>

22. Client Funds

At the year end the company held client funds of €60,069,457 (2019 €45,197,603) in designated bank accounts. The company has no beneficial interest in these funds and accordingly these funds are not recognized in the statement of financial position.

23. Control

The immediate parent company of PPRO Financial Ltd is PPRO Holding GmbH, incorporated in Germany. PPRO Holding GmbH is also the ultimate controlling party.

Copies of the Group financial statements of PPRO Holding GmbH are available on request at its address at St.-Martin-Straße 74, Building 21, 81541 Munich, Germany.

24. Post Balance Sheet Event

As at 31 December 2020, due to the retroactive change in transfer pricing methodology, PPRO Financial Limited was not meeting the FCA Capital Funds Requirements. Therefore, the board of PPRO Holding GmbH agreed to increase capital of PPRO Financial Ltd by 15 Million Euro into the capital reserve.

The cash transfer was made from PPRO Holding GmbH to PPRO Financial Ltd in April 2021 to rectify the deficit.

The company has acted as a guarantor to its parent company, PPRO Holding GmbH which had a loan of €5.8m from Harbert Speciality Funds as at 31 December 2020. The loan was fully repaid on 1st April 2021.