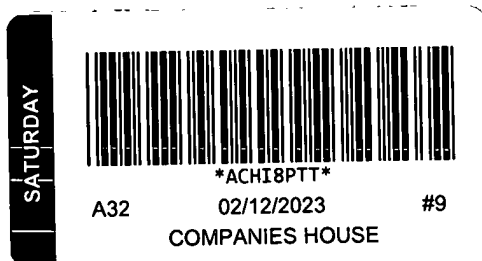


Registered number: 13784842

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TerraPay Holdings Limited

Annual Report 2022



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TERRAPAY HOLDINGS LIMITED

GROUP INFORMATION

Directors : Mr. Ronaldus Antonius Josef Vollebregt
Mr. Petrus Bartholomeus Ludovicus Maria Welten
Mr. Cyril Collon
Mr. Rostan Hernani Schwab
Mr. Arif Hussain
Mr. Ambar Sur

Secretary : OHS Secretaries Limited

Registered number : 13784842

Registered office : 2nd Floor, 107 Cheapside, London,
United Kingdom, EC2V 6DN

Independent auditors : KPMG Audit LLC,
Heritage Court, 41 Athol St,
Douglas IM1 1LA, Isle of Man

TERRAPAY HOLDINGS LIMITED

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TERRAPAY HOLDINGS LIMITED (the 'Company')

The Board of Directors of **TerraPay Holdings Limited** ('the Company') and its subsidiaries (together 'the Group') hereby presents its Directors' report for the financial year ended on 31 December 2022.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

United Kingdom Companies Act 2006 (the "Act") requires the directors to prepare consolidated financial statements for each financial year. The directors have elected to prepare the consolidated financial statements in accordance with applicable law and UK Adopted International Accounting Standards. Under the Act, the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing these consolidated financial statements and company only financial statements, the directors are required to:

- select suitable accounting policies for the Group's consolidated financial statements and company only financial statement and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements and company only financial statements;
- assess the Group and 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 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the consolidated financial statements and company only financial statement comply with the Act. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

General information

TerraPay Holdings Limited ("the Company" or "the Holding Company") is domiciled in the United Kingdom. The address of the Company's registered office is at 2nd Floor, 107, Cheapside London, United Kingdom EC2V 6DN. The Company was incorporated on 6 December, 2021 and is registered with the Companies House of England and Wales under company registration number 13784842. The Company and its subsidiaries are referred to as the 'the Group'.

The Group has gone through an internal reorganization, pursuant to which the Company has been interposed above the Terra Payment Services (Netherlands) B.V. ('TerraPay Netherlands') and became the ultimate holding company of the group on 24 June 2022. However, there has been no change in the ultimate ownership of the group.

TERRAPAY HOLDINGS LIMITED (the 'Company')

Principal activity

The principal activity of the Group primarily consists of offering digital payments infrastructure services globally to licensed financial institutions ("LFIs") such as Money Transfer Operators ("MTOs"), mobile wallet operators, banks and Payment Service Providers ("PSPs"), large corporates and individuals. Group's services also include international account payout services, acquiring services and issuance services. The Company is the holding/ parent company of the TerraPay group.

Financial information

The following table set forth the data that have been derived from the Consolidated Financial Statements of the Group as of 31 December 2022.

Particulars	For the year ended 31 December 2022 (USD)	For the year ended 31 December 2021 (USD)
Total income	52,073,103	19,622,151
Earnings before Interest, Depreciation & Tax (EBITDA)	10,700,822	(2,631,069)
Finance charges	(6,115,152)	(2,866,442)
Depreciation	(798,476)	(143,206)
Tax benefits/(expenses)	545,199	(45,054)
Profit/(Loss) after tax	4,332,393	(5,685,771)
Other comprehensive income for the year	13,750	16,042
Income tax charge on above	(3,460)	(4,038)
Total comprehensive Income/(Loss) for the year	4,342,683	(5,673,767)

Results and Dividend

The profit after taxation for the financial year ended 31 December 2022 amounts to USD 4,332,393. The Directors do not recommend payment of dividend for the financial year 2022.

Significant risks and uncertainties

- The Group's performance is directly linked to the growth of cross border remittance market which in turn depends upon migrant workers.
- The Group is dependent upon debt to grow its operations – An increase in the cost of debt or lack of access to competitive debt will impact growth.
- The Group operates across wide geography both in developed and developing countries – As such its operation in each country is exposed to unpredictable interpretation of tax rules by tax authorities in each country.
- The activities of the Group is subject to licensing requirements in several countries – Inadvertent non-compliance can lead to license cancellation impacting revenues.

Environmental and personnel-related information

- The business of the Company and Group does not have any environmental impact.
- The Company did not have any employees in 2022. On 31 December 2022, group had 428 employees vs 218 in 2021.

TERRAPAY HOLDINGS LIMITED (the 'Company')

Information regarding financial instruments

The Group manages its capital to ensure that it will be able to continue as going concern. The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The Group has obtained financial facilities from Lendable SPC, Micro, Small & Medium Enterprises Bonds S.A. Refer note no. 21 for detailed explanation on financial instrument.

Research and development information

The Company has no R&D activities.

Details about Board of Directors

During the year, the Company consists of the following Directors:

- Mr. Ronaldus Antonius Josef Vollebregt (Appointed on 01 July 2022)
- Mr. Petrus Bartholomeus Ludovicus Maria Welten (Appointed on 01 July 2022)
- Mr. Cyril Collon (Appointed on 01 July 2022)
- Mr. Rostan Hernani Schwab (Appointed on 01 July 2022)
- Mr. Arif Hussain (Appointed on 01 July 2022 and resigned on 02 November 2023)
- Mr. Ambar Sur (Resigned on 24 August 2022 and reappointed on 02 November 2023)
- Mr. Aniruddha Krishnaji Sane (Resigned on 24 August 2022)
- Mr. Mohd Saif Abbasi (Resigned on 24 August 2022)

The Company also has Audit Committee, Remuneration Committee and Governance Risk and Compliance Committee consisting of Board members and management as the members of the Committee. All the committees have been constituted with effect from 31 October 2022.

Auditors

KPMG Audit LLC has been appointed as the auditor during the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit LLC will therefore continue in the office. In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit LLC as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Information concerning application of code of conduct

The Company is applying the best governance practices and has adopted the global code of conduct at the Group level.

Disclosure of information to auditors

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

- So far as the director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditors are aware of that information.

TERRAPAY HOLDINGS LIMITED (the 'Company')

Other information

- The accounts of the wholly owned subsidiaries are reported according to applicable standards to respective countries and audited by reputable Auditors.
- The accounts of the Company are also reported according to the UK adopted accounting standards, in GBP and audited by KPMG Audit LLC.

The report was approved by the board and signed on its behalf.

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 auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Ambar Sur

Ambar Sur
Director

TERRAPAY HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their Strategic Report for TerraPay Holdings Limited (the “Company”) and its subsidiaries (together the “Group” or “TerraPay”) below.

THE BUSINESS

TerraPay simplifies the movement of money everywhere, providing a single connection to the most expansive cross-border payments network regulated in 29 global markets and enabling payments to over 120 receive countries, 210 send countries, 7.5 billing bank accounts and 2.1 billion mobile wallets. TerraPay is on a mission to connect a borderless financial world, making moving money everywhere instant, reliable, transparent and fully compliant. TerraPay pushes the boundaries for global businesses, ranging from banks, fintechs and money-transfer operators to travel businesses, creator economy platforms and e-commerce marketplaces, while driving financial inclusion in even the most inaccessible markets. Founded in 2014, TerraPay is headquartered in London, with global offices in Dubai, Miami, Bogota, Dakar, Joburg, Nairobi, Milan, Singapore and is expanding rapidly, having received funding from leading investors, including the IFC (the World Bank), Prime Ventures, Partech Africa.

BUSINESS PERFORMANCE

In the financial year ended 31 December 2022 (FY2022), revenues increased to USD 51.96 Million (+169%), and EBITDA to USD 10.70 Million. The results are summarized in the table below. The substantial growth in revenues and profitability have been achieved on the back of expansion into new receive corridors, the addition of new send partners (MTOs) and growth in volumes into existing receive corridors.

KPIs	31 December 2022	31 December 2021
Revenue (USD millions)	51.96	19.32
EBITDA (USD millions)	10.70	(2.63)
Number of employees	428	218

Note: EBITDA stands for earnings before interest, taxes, depreciation, and amortization.

The Board considers the Group to be well positioned both financially and operationally for continued growth into 2023. The Series B funding secured in October 2022 will allow the Group to further accelerate its global expansion and diversify the product offering for both international money transfer senders and recipients.

RESTRUCTURING & FINANCING

The acquisition of the Terra Payment Services (Netherlands) B.V by the Company was accounted for as a reorganisation of common control entities. The carrying amounts of assets and liabilities included are based on the historical carrying amounts of such assets and liabilities recognised by the respective subsidiaries.

TerraPay Holdings Limited was incorporated on 06 December 2021. However, all periods presented in the consolidated financial statements represents the full years of operation of the Group, as if TerraPay Holdings Limited had been in operation for the full reporting period.

TERRAPAY HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

RESTRUCTURING & FINANCING (Continued)

Major shareholders supporting the Group's growth include International Finance Corporation ("IFC"), Prime V Holding 2 B.V. ("Prime") and Partech Africa SLP ("Partech"). The Group has working capital facilities in the form of Term Loans from Lendable SPC and Micro, Small & Medium Enterprises Bonda S.A.

The Group ended 2022 with USD 55.39 Million (2021: USD 0.79 Million) of total equity, USD 3.89 Million (2021: USD 21.87 Million) of cash and cash equivalents and USD 55.89 Million (2021: USD 64.84 Million) including compulsory convertible notes of USD 20.72 Million) of outstanding debt.

During 2022, the Group completed its Series B funding round and raised USD 49.08 Million. The round was mainly backed by existing investors and other shareholders. As part of the funding round, the Group issued an aggregate of 1,433,327 Series B1 Shares for a total of USD 27.36 Million and issued Series B2 Shares for a total of USD 21.72 Million as part of conversion of compulsory convertible notes.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group inherently faces strategic, reputational, regulatory, operational and financial risks as part of the business model. These risks are managed on both a Group-wide and local basis. The principal risks and uncertainties are summarised below.

Market and competition risk: The markets in which we compete are highly competitive and highly fragmented. Within our strategy to become a leading player in the market, we face global competition from industry incumbents, digital players and external disruptors operating in the money transfer market. We also compete against smaller, country-specific competitors, banks and informal business-to-business money transfer service providers, web-based services, mobile money transfer services, payment processors, card-based payments providers, issuers of e-money, mobile wallets, informal remittance systems, postal organizations, and digital currencies.

To compete successfully, we continue to invest in our brand, products and services, technology, marketing, and customer services as well as pricing our products and services accordingly.

Compliance and regulatory risk: We operate in a highly regulated environment, and our business is subject to a wide range and increasing number of laws, regulations, rules, guidelines and regulatory and judicial interpretations that vary from jurisdiction to jurisdiction.

We have put in place systems and controls to minimise the risk that we breach applicable regulations or laws.

Product and customer service risk: Our customers expect a consistently high level of quality in the provision of our products and services. We provide customer service and support. If the reliability or functionality of our products and services is compromised or the quality of our products or services is otherwise degraded, we could lose existing customers.

TERRAPAY HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Pricing risk: Increases in transaction processing fees could increase our costs, affect our profitability, cause customer attrition, or otherwise limit our operations. We continue to enhance our processes and systems to provide competitive, accurate and fair pricing for our customers.

Sanctions risk: We have implemented policies and procedures designed to allow us to comply with economic sanctions laws and prevent our platform from being used to facilitate business in countries or with persons or entities designated on lists promulgated by the Office of Financial Sanctions Implementation (“OFSI”) and equivalent international authorities. Consequences for failing to comply with applicable rules and regulations could include fines, criminal and civil lawsuits, forfeiture of significant assets, or other enforcement actions. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny.

Operational risk: In facilitating our customers transactions in this complex environment, we are faced with many inherent operational risks in relation to our people, processes and systems which could have a significant impact on our business operations if they were to materialize. We continue to invest in systems and controls to appropriately manage such risks.

Operational resilience: Interruptions and failures in our systems or infrastructure, including as a result of cyber-attacks, natural catastrophic events, geopolitical events, disruptions in our workforce, system breakdowns or fraud may have a significant adverse effect on our business. We continue to enhance our controls, processes and systems to prevent, adapt, respond, recover and learn from incidents to ensure that impacts of disruptions are minimised.

Technology management: Our ability to anticipate and adopt new technology and develop and gain market acceptance of new and enhanced products and services in response to changing industry and regulatory standards and evolving customer needs may adversely affect our competitiveness.

Failure to effectively manage our technology infrastructure, technology change management process, technology design & implementation, service management, and identity and access management (“IAM”) to systems and accounts, may harm our business, financial condition or results of operations.

We endeavour to have effective security controls in place to protect our systems and data from continually evolving cyber security risks, security breaches or other technological risks which could affect our reputation among our customers, business operations, our regulators, and may expose us to liability.

People: Our ability to recruit, retain and develop qualified personnel is critical to our success and growth. If we are unable to attract and retain the necessary skilled resources, we face a risk that we are unable to operate effectively to achieve our business objectives.

Personal Data: We have controls in place to reduce the risk of non-compliance with data protection laws as failure to do so may lead to potential fines or material reputational damage.

TERRAPAY HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Financial reporting and controls: If we are unable to remediate any material weaknesses and deficiencies in internal control over financial reporting, investors, customers, rating agencies, lenders or others may lose confidence in the accuracy and completeness of our financial reports; we could be subject to investigations by regulatory authorities or litigation that results in substantial fines, penalties or liabilities, and we may be unable to raise funds from debt and equity investors on terms favourable to us, if at all. We will continue to track and monitor remediation actions in place to resolve any internal control weaknesses as necessary.

Financial risk: The nature of the services that we provide introduce inherent financial risks such as foreign exchange risk, counterparty credit risk and liquidity risk. There are also risks to the management of financial operations and reporting. We monitor and manage these risks to ensure that financial risk exposure remains within risk appetite and that financial reporting is accurate and complete.

Regulatory capital and funds safeguarding risk: We are required to maintain sufficient capital to meet the regulatory requirements for each of the regulated entities within the Group, as well as safeguard our customers' funds and segregate them from our own, and our failure to do so may have a material adverse effect on our business, financial condition and results of operations.

Tax risk: New or revised tax laws and regulations or their interpretations or becoming subject to additional domestic or foreign taxes that cannot be passed through to our customers or partners, could reduce our profitability and increase risk of subsequent fines or enforcement action for non-compliance.

Independent Auditor's Report to the Members of Terrapay Holdings Limited

Our opinion

We have audited the consolidated financial statements of Terrapay Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated and company only statements of financial position as at 31 December 2022, the consolidated and Company only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's Profit and Company's loss for the year then ended;
- are properly prepared in accordance with UK-adopted international accounting standards; 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 and Group in accordance with, UK ethical requirements including FRC Ethical Standards. 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 consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements and the company only financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and 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 consolidated financial statements and the company only financial statements is appropriate; and
- 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 Group and 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 Group and 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:

Independent Auditor's Report to the Members of Terrapay Holdings Limited (continued)

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- On a statistical sample basis traced recorded revenue to the back office system, performed recalculation and agreed to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting 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.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of 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 consolidated 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 consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this 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 Terrapay Holdings Limited (continued)

The directors' report and strategic report

The directors are responsible for the strategic report and the directors' report. Our opinion on the consolidated 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 consolidated financial statements audit work, the information therein is materially misstated or inconsistent with the consolidated 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 consolidated 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 parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the consolidated financial statements and company only financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements and the company only financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 Group or 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 consolidated financial statements and the company only 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 consolidated financial statements.

Independent Auditor's Report to the Members of Terrapay Holdings Limited (continued)

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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

M. Fakd. Kherati

Mohammed Kherati (Senior Statutory Auditor)

For and on behalf of KPMG Audit LLC (Statutory Auditor)

Chartered Accountants

Isle of Man

30 November 2023

TerraPay Holdings Limited
Consolidated statement of financial position as at 31 December 2022
(All amounts are in USD)

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	3a	856,002	182,680
Capital work in progress	3a	1,701,878	155,448
Right of use assets	3b	1,756,901	532,415
Intangible assets and goodwill	3c	327,551	160,937
Other receivables	4	981,902	767,828
Deferred tax assets	18	2,037,533	88,150
Total non-current assets		7,661,767	1,887,458
Current assets			
Trade and other receivables	5	162,125,651	93,255,749
Cash and cash equivalents	6	3,890,437	21,868,008
Total current assets		166,016,088	115,123,757
Total assets		173,677,855	117,011,215
Equity			
Share capital	7	14,883,589	68,250
Share premium		48,040,398	12,780,256
Reserves		186,626	(14,216)
Retained earnings		(7,819,362)	(12,162,045)
Equity attributable to owners of the Company		55,291,251	672,245
Share application money pending allotment*	7	99,910	121,000
Total equity		55,391,161	793,245
Liabilities			
Non-current liabilities			
Loans and borrowings	8	34,964,766	44,123,684
Lease liabilities	3b	1,015,241	196,719
Provisions	9	390,087	80,715
Total non-current liabilities		36,370,094	44,401,118
Current liabilities			
Loans and borrowings	8	20,926,786	20,715,176
Lease liabilities	3b	615,464	201,151
Trade and other payables	10	59,087,993	50,857,657
Provisions	9	97,121	9,425
Current tax liabilities	17	1,189,236	33,443
Total current liabilities		81,916,600	71,816,852
Total equity and liabilities		173,677,855	117,011,215

All results are derived from continuing activities
The notes on pages 17 to 47 are an integral part of these consolidated financial statements.

Authorised and approved for issue by the Board of directors on 9 November 2023 and signed on its behalf
by:

Ambar Sur

Ambar Sur
Director

Pieter Welten

Petrus Bartholomeus Ludovicus Maria Welten
Director

TerraPay Holdings Limited

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

(All amounts are in USD)

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Income			
Revenue	11	51,963,079	19,327,571
Other income	12	<u>110,024</u>	<u>294,580</u>
Total income		52,073,103	19,622,151
Expenses			
Operating expenses	13	(10,337,212)	(7,757,989)
Personnel expenses	14	(12,537,782)	(7,555,212)
Depreciation and amortisation	3a,3b,3c	(798,476)	(143,206)
Finance costs	15	(6,115,152)	(2,866,442)
Impairment loss on trade and other receivables	21	(1,393,579)	(389,894)
Other expenses	16	<u>(17,103,708)</u>	<u>(6,550,125)</u>
Total expenses		(48,285,909)	(25,262,868)
Profit / (Loss) before tax		3,787,194	(5,640,717)
Tax credit/(charge)	17	<u>545,199</u>	<u>(45,054)</u>
Profit / (Loss) for the year		4,332,393	(5,685,771)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement gains on defined benefit plans		13,750	16,042
- Income tax effect on above		<u>(3,460)</u>	<u>(4,038)</u>
Other comprehensive income for the year, net of tax		10,290	12,004
Total comprehensive income / (loss) for the year		4,342,683	(5,673,767)

All results are derived from continuing activities

The notes on pages 17 to 47 are an integral part of these consolidated financial statements.

TerraPay Holdings Limited

Consolidated statement of changes in equity for the financial year ended 31 December 2022

(All amounts are in USD)

	Share capital	Share premium *	Retained earnings **	Treasury shares reserve ***	Stock options outstanding account****	Total
Balance as at 1 January 2021	68,249	12,427,344	(6,488,278)	(15,558)	-	5,991,757
Total comprehensive loss for the year						
Loss for the year	-	-	(5,685,771)	-	-	(5,685,771)
Other comprehensive income for the year	-	-	12,004	-	-	12,004
Total comprehensive loss for the year	-	-	(5,673,767)	-	-	(5,673,767)
Transactions with owners of the Company						
On issue of equity shares	1	352,912	-	1,342	-	354,255
Total transactions with owners of the Company	1	352,912	-	1,342	-	354,255
Balance as at 31 December 2021	68,250	12,780,256	(12,162,045)	(14,216)	-	672,245
Balance as at 1 January 2022	68,250	12,780,256	(12,162,045)	(14,216)	-	672,245
Total comprehensive income for the year						
Profit for the year	-	-	4,332,393	-	-	4,332,393
Other comprehensive income for the year	-	-	10,290	-	-	10,290
Total comprehensive income for the year	-	-	4,342,683	-	-	4,342,683
Transactions with owners of the Company						
Cancellation of treasury shares (refer note 7(a))	(14,216)	-	-	14,216	-	-
Buy back of shares (refer note 7(e))	(1)	-	-	-	-	(1)
Issue of shares as part of share exchange (refer note 7(c))	11,037,616	(11,037,616)	-	-	-	-
Issue of shares on conversion of loan notes (refer note 7(g))	1,754,323	19,965,774	-	-	-	21,720,097
Issue of shares other than above (refer note 7(b),(d) and (f))	2,037,617	26,331,984	-	-	-	28,369,601
Equity settled share based payments (refer note 23)	-	-	-	-	186,626	186,626
Total transactions with owners of the Company	14,815,339	35,260,142	-	14,216	186,626	50,276,323
Balance as at 31 December 2022	14,883,589	48,040,398	(7,819,362)	-	186,626	55,291,251

The description of the nature and purpose of each reserve within equity is as follows:

*** Share premium**

This represent premium received on issue of shares. (Refer note 7)

**** Retained earnings**

This represents the profits / losses of the Group earned till date, net of appropriations.

***** Treasury shares reserves**

The reserve for the Group's treasury shares comprises the cost of the Group's shares held by the Group. Also refer note 7(a).

******Stock options outstanding account**

The Group has established share based payment for eligible employees of the Group. Also refer note 23 for further details on these plans.

All results are derived from continuing activities

The notes on pages 17 to 47 are an integral part of these consolidated financial statements.

TerraPay Holdings Limited
Consolidated statement of cash flows for the year ended 31 December 2022
(All amounts are in USD)

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flows from operating activities		
Profit / (Loss) for the year	4,332,393	(5,685,771)
Adjustments for:		
Depreciation and amortisation	798,476	143,206
Impairment loss on trade and other receivables	1,393,579	389,894
Interest income	(51,714)	(170,935)
Foreign exchange loss	988,718	-
Finance cost	6,115,152	2,866,442
Share based payments expenses	186,626	-
Tax (credit)/charge	(545,199)	45,054
	<u>13,218,031</u>	<u>(2,412,110)</u>
Change in:		
Trade and other receivables	(71,101,360)	(61,094,877)
Trade and other payables	8,230,336	26,568,816
Provisions	397,068	69,306
Cash used in operating activities	(49,255,925)	(36,868,865)
Less: Taxes paid	(182,358)	(61,692)
Net cash used in operating activities	(49,438,283)	(36,930,557)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,653,462)	(404,931)
Advance for investments	(364,913)	-
Interest received	198,778	19,225
Net cash used in investing activities	(2,819,597)	(385,706)
Cash flows from financing activities		
Proceeds from issue of convertible notes	-	20,000,000
Proceeds from loans and borrowings other than convertible notes	11,400,000	38,880,690
Repayment of borrowings	-	(2,100,000)
Lease payments	(527,629)	(218,396)
Interest paid	(5,046,419)	(1,665,980)
Proceeds from issue of shares	28,248,639	157,997
Proceeds from share application money	99,910	121,000
Net cash from financing activities	34,174,501	55,175,311
Net (decrease)/increase in cash and cash equivalents	(18,083,379)	17,859,048
Cash and cash equivalents at the beginning of the year	21,868,008	4,042,422
Translation impact on foreign exchange	105,808	(33,462)
Cash and cash equivalents at the end of the year	<u>3,890,437</u>	<u>21,868,008</u>

All results are derived from continuing activities
The notes on pages 17 to 47 are an integral part of these consolidated financial statements.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022

(All amounts are in USD)

1 Reporting Entity

TerraPay Holdings Limited ("the Company" or "the Holding Company") is domiciled in the London. The address of the Company's registered office is at 2nd Floor 107 Cheapside, London, United Kingdom, EC2V 6DN. The consolidated financial statements for the year ended 31 December 2022 comprises financial statements of the Company and its subsidiaries (together referred to as "the Group" and individually as "the Group entities").

The activities of the Group primarily consist of providing technology services that offers money transfer and payment services to banks, mobile wallets, money transfer operators, merchants and financial institutions.

The acquisition of the Terra Payment Services (Netherlands) B.V by the Company was accounted for as a reorganisation of common control entities. The carrying amounts of assets and liabilities included are based on the historical carrying amounts of such assets and liabilities recognised by the respective subsidiaries.

TerraPay Holdings Limited was incorporated on 06 December 2021. However, all periods presented in the consolidated financial statements represents the full years of operation of the Group, as if Terrapay Holdings Limited had been in operation for the full reporting period.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with UK Adopted International Accounting Standards, and with the United Kingdom Companies Act 2006. The Group has applied all International Financial Reporting Standards adopted by the United Kingdom and effective at 31 December 2022.

The consolidated financial statements were authorised for issue by the Board of Directors on 9 November 2023.

2.2 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis.

2.3 Functional and presentation currency

These consolidated financial statements are presented in US Dollars ("USD"), which is also the Group's functional currency. All amounts have been rounded to the nearest US Dollar, unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Judgements

The preparation of consolidated financial statements in accordance with IFRS requires the directors and management to exercise judgements in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the consolidated financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition, therefore, often differ from the related accounting estimates.

Where applicable, the notes to the consolidated financial statements set out areas where management has applied a higher degree of judgements that have a significant effect on the amounts recognised in the consolidated financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgement areas

(i) Determination of functional currency

'Functional currency' is the currency of the primary economic environment in which the Group operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

The Group's transactions are mainly denominated in US Dollar (USD). The primary objective of the Group is to generate returns and capital growth in USD for the benefit of its shareholder. The assets and liabilities of the Group and the cash flows are predominantly USD denominated. The Group's performance is also evaluated in USD. The determination of the Group's functional currency is determined based on management's significant judgement in assessing the economic environment in which the Group operates.

There are no other significant judgements made in applying accounting policies that have the most material effects on the amounts recognised in the consolidated financial statements.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.4 Use of estimates and judgments (Continued)

(b) Assumptions and estimation uncertainties

i) Useful lives of property, plant and equipment

Property, plant and equipment represent a material asset balance of the Group. The charge in respect of periodic depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful life and residual values of Group's assets are determined by Management at the time the asset is acquired and reviewed periodically, including each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

ii) Calculation of Expected Credit Loss

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The Group's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its trade and other receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a homogenous group of receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

iii) Others

Further information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the 31 December 2022 is included in the following notes:

- Note 2.7 (i) and 21: recognition of impairment loss on trade and other receivables: key assumptions underlying recoverable amounts.
- Note 18: recognition of deferred tax asset: availability of future taxable profit against which tax losses carried forward can be used;
- Note 9: measurement of defined benefit obligations: key actuarial assumptions
- Note 3(b): lease term: whether the Group is reasonably certain to exercise extension options

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.5 New standards, amendments and interpretations adopted during the year

There has been amendments and interpretations that have become effective for the current year. The Group has adopted the following new amendments and interpretation during the year:

(i) Annual Improvements to IFRS Standards 2018-2020

The amendment clarifies that for the purpose of performing the "10%" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Directors have assessed the impact of the amendments IFRS Standards and is of the view that they do not have any impact on the Group's financial statements for the year under review.

(ii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant, and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The Directors have assessed the impact of the amendments to IAS 16 and is of the view that they do not have any impact on the Group's financial statements for the year under review.

(iii) Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standard Board ('IAS Board'), clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g., direct labour and materials; and
- an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The Directors have assessed the impact of the amendments to IAS 37 and is of the view that they do not have any impact on the Group's financial statements for the year under review.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.6 New standards, amendments and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date.

(i) Definition of Accounting Estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The IAS Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments.

The Group is currently assessing the impact the amendments will have on the current period.

(ii) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IAS Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are to be applied retrospectively from the effective date.

The Group is currently assessing the impact the amendments will have on the current period.

(iii) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact the amendments will have on the current period.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.6 New standards, amendments and interpretations issued but not yet effective (Continues)

(iv) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board.

The IAS Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- Accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The IAS Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 January 2023 but may be applied earlier.

The Group is currently assessing the impact the amendments will have on the current period.

2.7 Significant accounting policies

The accounting policies set out below have been applied consistently in the periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

(a) Basis of consolidation

The Group's financial statements consolidate those of the parent company and all its subsidiaries as at 31 December 2022. Subsidiary Companies are wholly owned by the Company over which the Group has control. Control is achieved through voting rights. The consolidated financial statements have been prepared on the following basis:

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements incorporate the financial statements of the Holding Company and its subsidiaries as listed below. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases to exist.

Accounting policies of subsidiaries have been changed wherever necessary to ensure consistency with the policies adopted by the Group.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (continued)

Details of subsidiaries

Following subsidiary entities have been considered in the preparation of the consolidated financial statements.

Name of the entity	Relationship	Country of Incorporation	% of holding and voting power either directly or indirectly through subsidiary	
			As at 31 December 2022	As at 31 December 2021
Terra Payment Services (Netherlands) B.V.	Wholly owned subsidiary	Netherland	100%	NA
Terra Payment Services (Mauritius)	Wholly owned subsidiary	Mauritius	100%	100%
Terra Payment Services (UK) Limited	Wholly owned subsidiary	United Kingdom	100%	100%
Mobex Money Transfer Services Limited	Wholly owned subsidiary	Kenya	100%	100%
Terra Payment Services South Africa (Rf) (Pty) Limited	Wholly owned subsidiary	South Africa	100%	100%
Terra Payment Services (Uganda) Limited	Wholly owned subsidiary	Uganda	100%	100%
Terra Payment Services (Tanzania) Limited*	Wholly owned subsidiary	Tanzania	100%	100%
Terra Payment Services S.A.R.L. (DRC)	Wholly owned subsidiary	Democratic Republic of Congo	100%	100%
Terra Payment Services S.A.R.L. (Senegal)**	Wholly owned subsidiary	Senegal	-	100%
Terra Payment Services (Congo B)	Wholly owned subsidiary	Republic of the Congo	100%	100%
Terra Payment Services Botswana (Pty) Limited***	Wholly owned subsidiary	Botswana	-	100%
Terrapay Solutions India Private Limited****	Wholly owned subsidiary	India	100%	99.52%
Terra Payment Services (Canada) Limited	Wholly owned subsidiary	Canada	100%	100%
Terra Payment Services (Singapore) Pte. Limited	Wholly owned subsidiary	Singapore	100%	100%
Terra Payment Services (Lithuania) UAB #	Wholly owned subsidiary	Lithuania	-	100%
Terra Payment Services USA LLC	Wholly owned subsidiary	USA	100%	100%
Terra Payment Services (Malaysia) Sdn Bhd##	Wholly owned subsidiary	Malaysia	100%	-
Terra Payment Services (Denmark) ApS###	Wholly owned subsidiary	Denmark	100%	-

* 1 share of Terra Payment Services (Tanzania) Limited is held by Mobex Money Transfer Services Limited as on December 31, 2022 and December 31, 2021.

** Terra Payment Services (SARL) (Senegal) was liquidated effective from 07 January 2022 after completion of all the necessary formalities in compliance with local legislation.

*** Terra Payment Services Botswana (Pty) Limited was liquidated effective from 12 January 2022 after completion of all the necessary formalities in compliance with local legislation.C112

**** 0.24% and 0.24% were held by Ambar Sur and Ganapathy Subramaniam respectively as on December 2021 was transferred to Terra Payment Services (Netherlands) B.V. as on December 31, 2022. Mr. Ambar Sur is holding 1 Share in the capacity of nominee on behalf of Terra Payment Services (Netherlands) B.V.

Terra Payment Services (Lithuania) UAB was liquidated effective from 28 December 2022 after completion of all the necessary formalities in compliance with local legislation.

Terra Payment Services (Malaysia) Sdn Bhd was incorporated on 02 August 2022 after completion of all the necessary formalities in compliance with local legislation.

Terra Payment Services (Denmark) ApS was incorporated on 05 August 2022 after completion of all the necessary formalities in compliance with local legislation.

(b) Revenue

IFRS 15 Revenue from Contracts with Customers

The Group primarily generates revenue from commission and forex spread on the transfer of funds - cross border payments.

Disaggregation of revenue

The Group disaggregates revenue on fund transfer and gateway services. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of the Group's revenues and cash flows are affected by industry, market and other economic factors.

Contract balances

The Group classifies the right to consideration in exchange for sale of services as trade receivables and advance consideration as advance from customers.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following details provide information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms, and the related revenue recognition policies.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (continued)

(b) Revenue (Continued)

(i) Income from money transfer services

Income from money transfer services represents the amount earned from the customers in the form of commission and forex spread on the transfer of funds to the bank accounts of their choice using the facility. Commission on money transfer is recognised on satisfaction of the associated performance obligation i.e. on transfer of money, and basis the standard agreement entered with the respective customers.

(ii) Payment gateway services

The Group facilitates payment gateway services and earns commission from customers and recognises such revenue when the control of services is transferred to the customer i.e. when the services have been provided by the Group. Such commission is generally determined as a percentage of transaction value processed by the Group.

(c) Finance costs

Finance cost comprise of interest on bank borrowings are recognized as it accrues in the consolidated profit or loss using the effective interest method.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of an asset. Leasehold improvements are amortized over the lease term or useful lives of assets, whichever is lower.

Depreciation is charged to the consolidated profit or loss on a straight line basis over the estimated useful life of items of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Asset class	Useful life
Computer and Accessories	3 years
Servers	5 years
Office equipments	5 years

The depreciation method and useful lives, as well as residual values if not insignificant are reassessed annually. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other income/other expenses in the consolidated profit or

(e) Intangible assets and goodwill

i) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

TerraPay Holdings Limited**Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)**

(All amounts are in USD)

2.7 Significant accounting policies (Continued)**(e) Intangible assets and goodwill (Continued)****ii) Other intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives determined based on technical assessment of internal experts. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Asset class	Useful life
Software	5 years
Licenses	5 years

(f) Foreign exchange

Transactions denominated in foreign currencies are translated into USD at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rates ruling on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into USD at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the consolidated

(g) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at exchange rates at the dates of transactions.

(h) Employee benefits**i) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan estimating the amount of future benefit that employees have earned in the current period and previous periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, considerations are given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Group determines the net interest expense (income) on the net defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined plans are recognized in the consolidated profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in the consolidated profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iv) Employee Stock Option Plans (ESOPs)

For ESOPs with vesting condition, the grant date fair value of ESOPs granted to employees is recognised as an employee expense, with a corresponding increase in equity reserve, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For ESOPs with non-vesting condition, the grant date fair value of the ESOPs is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (Continued)

(i) Financial instruments

Non-derivative financial instruments

1 Recognition and initial measurement

Non derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents, trade receivables and other receivables (excluding prepayments and advances); and
- financial liabilities, which include long and short-term borrowings, trade and other payables.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Any gain or loss on derecognition is recognised in the consolidated profit or loss.
Financial assets at FVTPL	These assets (including derivatives) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to consolidated

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated profit or loss. Any gain or loss on derecognition is also recognised in the consolidated profit or loss.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (Continued)

(i) Financial instruments (Continued)

3 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions, whereby, it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated profit or loss.

4 Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5 Impairment

The Group applies the expected credit loss model (ECL) for recognizing impairment loss on financial assets (trade receivables and other financial assets) measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (Continued)

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Non-redeemable preference shares are classified as share capital, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the shareholders.

(k) Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(l) Borrowing costs

Borrowing costs are recognized as expenses in the consolidated profit or loss in the period in which they are incurred and are calculated by using the effective interest rate. However, borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or development are expensed.

(m) Income tax

Income tax on the profit or loss for the year for entities in a tax jurisdiction comprises current and deferred tax. Income tax is recognized in the profit or loss of these entities for the period except to the extent that it relates to items recognized directly to equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years, in accordance with the applicable laws of the jurisdiction where these entities are incorporated.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets - unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and financial institutions. The Group considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (Continued)

o) Leases

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance 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; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, 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.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

2.7 Significant accounting policies (Continued)

o) Leases (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
 (All amounts are in USD)

3a Property, plant and equipment and capital work in progress

	Office equipments	Leasehold improvements	Computer and Accessories	Servers	Total	Capital work in progress	Grand Total
Cost							
Balance at 1 January 2022	239	66,313	193,964	-	260,516	155,448	415,964
Additions	140,680	444,043	238,433	81,796	904,952	1,546,430	2,451,382
Effect of movements in exchange rates	(544)	2,010	10,508	-	11,974	-	11,974
Balance at 31 December 2022	140,375	512,366	442,905	81,796	1,177,442	1,701,878	2,879,320
Accumulated depreciation							
Balance at 1 January 2022	35	24,881	52,920	-	77,836	-	77,836
Depreciation	22,716	125,005	90,032	2,310	240,063	-	240,063
Effect of movements in exchange rates	(80)	754	2,867	-	3,541	-	3,541
Balance at 31 December 2022	22,671	150,640	145,819	2,310	321,440	-	321,440
Carrying amounts							
At 31 December 2022	117,704	361,726	297,086	79,486	856,002	1,701,878	2,557,880
At 31 December 2021	204	41,432	141,044	-	182,680	155,448	338,128
Cost							
Balance at 1 January 2021	-	58,434	60,430	-	118,864	-	118,864
Additions	235	7,879	131,688	-	139,802	155,448	295,250
Effect of movements in exchange rates	4	-	1,846	-	1,850	-	1,850
Balance at 31 December 2021	239	66,313	193,964	-	260,516	155,448	415,964
Accumulated depreciation							
Balance at 1 January 2021	-	-	11,166	-	11,166	-	11,166
Depreciation	37	24,865	43,084	-	67,986	-	67,986
Effect of movements in exchange rates	(2)	16	(1,330)	-	(1,316)	-	(1,316)
Balance at 31 December 2021	35	24,881	52,920	-	77,836	-	77,836
Carrying amounts							
At 31 December 2021	204	41,432	141,044	-	182,680	155,448	338,128
At 31 December 2020	-	58,434	49,264	-	107,698	-	107,698

Note
 Capital work-in progress includes intangible assets under development which relates to development of software for payment platform amounting to 1,500,664 USD (2021: USD 155,448).
 The remaining balance relates to leasehold improvements which is yet to be completed as on year end.

TerraPay Holdings Limited**Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)**

(All amounts are in USD)

3b Leases**Leases as lessee (IFRS 16)**

The Group has office buildings leases. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. Lease payments are renegotiated every three years to reflect market rentals.

Right of use assets	Buildings	Total
Balance at 1 January 2021	-	-
Additions to right-of-use asset	604,815	604,815
Depreciation charge for the year	72,400	72,400
Balance at 31 December 2021	532,415	532,415
Balance at 1 January 2022	532,415	532,415
Additions to right-of-use asset	1,746,390	1,746,390
Depreciation charge for the year	521,904	521,904
Balance at 31 December 2022	1,756,901	1,756,901
Lease liabilities		
Balance at 1 January 2021	-	-
Increase in lease liabilities	604,815	604,815
Interest cost on lease liabilities	11,451	11,451
Lease payment made during year	(218,396)	(218,396)
Balance at 31 December 2021	397,870	397,870
Balance at 1 January 2022	397,870	397,870
Increase in lease liabilities	1,623,131	1,623,131
Interest cost on lease liabilities	137,333	137,333
Lease payment made during year	(527,629)	(527,629)
Balance at 31 December 2022	1,630,705	1,630,705
Lease Liabilities included in the statement of financial position		
Current	615,464	615,464
Non Current	1,015,241	1,015,241
Maturity Analysis - contracted undiscounted cash flows		
Less than one Year	615,464	615,464
Between one and five years	1,015,241	1,015,241
More than 5 Years	-	-

Total cash outflow for leases in 2022 was USD 527,629 (2021: 218,396)

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

3c Intangible assets and goodwill

	Software	Licenses	Goodwill	Total
Cost				
Balance at 1 January 2022	107,458	127,931	56,226	291,615
Additions	188,673	13,407	-	202,080
Effect of movements in exchange rates	1,083	-	-	1,083
Balance at 31 December 2022	297,214	141,338	56,226	494,778

Accumulated amortisation				
Balance at 1 January 2022	2,747	127,931	-	130,678
Amortisation	36,134	375	-	36,509
Effect of movements in exchange rates	28	12	-	40
Balance at 31 December 2022	38,909	128,318	-	167,227

Carrying amounts				
At 31 December 2022	258,305	13,020	56,226	327,551
At 31 December 2021	104,711	-	56,226	160,937

	Software	Licenses	Goodwill	Total
Cost				
Balance at 1 January 2021	-	127,931	56,226	184,157
Additions	109,681	-	-	109,681
Effect of movements in exchange rates	(2,223)	-	-	(2,223)
Balance at 31 December 2021	107,458	127,931	56,226	291,615

Accumulated amortisation				
Balance at 1 January 2021	-	127,931	-	127,931
Amortisation	2,820	-	-	2,820
Effect of movements in exchange rates	(73)	-	-	(73)
Balance at 31 December 2021	2,747	127,931	-	130,678

Carrying amounts				
At 31 December 2021	104,711	-	56,226	160,937
At 31 December 2020	-	-	56,226	56,226

Note:

The Group has recognised goodwill of USD 56,226 as part of acquisition of "Pay2Global Limited (now known as Terra Payment Services (UK) Limited)" on 31 December 2016.

The recoverable amount of this cash generating unit has been determined based on a value in use approach by considering cash flow projections approved by the Management. The discount rate considered for arriving the said recoverable amount is 12% (2021: 12%).

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

	As at 31 December 2022	As at 31 December 2021
4 Other receivables		
Non-current		
Deposits	949,604	588,466
Interest accrued on deposits	32,298	179,362
	<u>981,902</u>	<u>767,828</u>
	As at	As at
	31 December 2022	31 December 2021
5 Trade and other receivables		
Current		
Trade receivables	2,032,416	2,447,094
Other receivables		
Settlement assets*	157,881,089	89,767,268
Loss : allowance for expected credit losses	(796,371)	(386,542)
	<u>157,084,718</u>	<u>89,380,726</u>
Prepayments	406,900	341,856
Margin money balances**	420,633	441,047
Balance with government authorities ***	1,310,698	558,834
Advance to employees	278,483	85,940
Advance for investments	364,913	-
Other receivables	226,890	252
	<u>160,093,235</u>	<u>90,808,655</u>
	<u>162,125,651</u>	<u>93,255,749</u>

*Represents money advanced to receiver partners, for the remittance to the end-beneficiary accounts in future - based on the instructions of the Group and other receivables from Sending partners.

**Represents amount held with forex brokers for entering in to derivative contracts, refer note 21(a)

*** Represents input tax credit with respect to indirect taxes applicable in respective countries.

	As at 31 December 2022	As at 31 December 2021
6 Cash and cash equivalents		
Bank balances	2,586,093	2,606,637
Balances in pooling accounts*	1,304,344	19,261,371
	<u>3,890,437</u>	<u>21,868,008</u>

*Balances in pooling accounts represents the bank balance of the Group used solely for settlement transactions.

	As at 31 December 2022	As at 31 December 2021
7 Equity		
Share capital	14,883,589	68,250
Share premium	48,040,398	12,780,256
Retained earnings	(7,819,362)	(12,162,045)
Other reserves	186,626	(14,216)
Equity attributable to owners of the Company	<u>55,291,251</u>	<u>672,245</u>
Share application money pending allotment*	99,910	121,000
Total equity	<u>55,391,161</u>	<u>793,245</u>

* Represent amount received for share application and pending allotment as on year end. Also, refer note (h).

Share capital	As at 31 December 2022		As at 31 December 2021	
	Number of shares	Amount	Number of shares	Amount
Authorised, issued, subscribed and paid Equity				
Equity shares of USD 0.01 each	-	-	1,555,866	15,558
Ordinary shares of GBP 1 each	-	-	1	1
Ordinary A Shares of GBP 1 each	1,178,903	1,443,451	-	-
Ordinary B Shares of GBP 1 each	134,187	165,052	-	-
	<u>1,313,090</u>	<u>1,608,503</u>	<u>1,555,867</u>	<u>15,559</u>
Preference				
Preference shares of USD 0.01 each	-	-	5,269,079	52,691
Series A1 Shares of GBP 1 each	7,868,846	9,678,757	-	-
Series A2 Shares of GBP 1 each	171,030	210,368	-	-
Series B1 Shares of GBP 1 each	1,433,327	1,631,638	-	-
Series B2 Shares of GBP 1 each	1,516,944	1,754,323	-	-
	<u>10,990,147</u>	<u>13,275,086</u>	<u>5,269,079</u>	<u>52,691</u>
	<u>12,303,237</u>	<u>14,883,589</u>	<u>6,824,946</u>	<u>68,250</u>

7 Equity (Continued)

Reconciliation of number of shares at the beginning and at the end of the reporting period

Particulars	Balance at the beginning of the period	For the year ended 31 December 2021		Balance at the end of the period
		Issued during the period	Cancellation/ buyback during the period	
Equity				
Equity shares	1,555,866	-	-	1,555,866
Ordinary shares	-	1	-	1
Ordinary A Shares	-	-	-	-
Ordinary B Shares	-	-	-	-
	1,555,866	1	-	1,555,867
Preference				
Preference shares	5,269,079	-	-	5,269,079
Series A1 Shares	-	-	-	-
Series A2 Shares	-	-	-	-
Series B1 Shares	-	-	-	-
Series B2 Shares	-	-	-	-
	5,269,079	-	-	5,269,079
	6,824,945	1	-	6,824,946

Particulars	Balance at the beginning of the year	For the year ended 31 December 2022		Balance at the end of the year
		Issued during the year	Cancellation/ buyback during the period	
Equity				
Equity shares (Refer Note (a) and (c))	1,555,866	-	(1,555,866)	-
Ordinary shares (Refer Note (c))	1	-	(1)	-
Ordinary A Shares (Refer Note (c) and (d))	-	1,178,903	-	1,178,903
Ordinary B Shares (Refer Note (c))	-	134,187	-	134,187
	1,555,867	1,313,090	(1,555,867)	1,313,090
Preference				
Preference shares (Refer Note (b) and (c))	5,269,079	34,278	(5,303,357)	-
Series A1 Shares (Refer Note (c))	-	7,868,846	-	7,868,846
Series A2 Shares (Refer Note (c))	-	171,030	-	171,030
Series B1 Shares (Refer Note (f))	-	1,433,327	-	1,433,327
Series B2 Shares (Refer Note (g))	-	1,516,944	-	1,516,944
	5,269,079	11,024,425	(5,303,357)	10,990,147
	6,824,946	12,337,515	(6,859,224)	12,303,237

Terms and rights of shares

Equity shares

This represents the equity shares held by the Company. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Share premium

During the year, an amount of USD 35,260,142 (2021: USD 352,912) has been collected as share premium with respect to issue of equity shares. Refer below notes for details.

Preference shares

The shareholders shall carry a right on the profits and voting rights of the company in proportion to the shares held by them. Existing shareholders shall have pre-emption rights on any issue of shares in proportion to the number of shares already held by them; that right shall be exercised in the manner and within the period specified by the General Meeting that adopts the resolution to issue the shares. The shareholders may transfer their shareholding by notifying the management board of his intention to dispose of these shares. The Management shall in turn inform the other shareholders of this offer and the offer price shall be mutually agreed between the offeror and other shareholders by mutual consent.

On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the Company remaining after payment of its liabilities shall be applied (to the extent that the Company is lawfully permitted to do so):

- first, in paying to each of the Series B1 and B2 Shareholders, in priority to any other classes of Shares;
- second, in paying to each of the Series A1 and A2 Shareholders, in priority to any other classes of Shares, other than Series B1 and B2 shares;
- thereafter, the balance of the surplus assets (if any) shall be distributed among the holders of Ordinary Shares, Ordinary A Shares and Ordinary B Shares pro rata to the number of Ordinary Shares, Ordinary A Shares and Ordinary B Shares held by such holders.

Preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval of the Company's shareholders.

TerraPay Holdings Limited
Notes to the consolidated financial statements
(All amounts are in USD)

7 Equity (Continued)

Notes:

- (a) As on 31 December 2021, the Group had issued 670,935 treasury shares to the foundation i.e. Stichting TPS ESOP 1, organised under Dutch law, and 750,744 treasury shares, to the foundation i.e. Stichting TPS ESOP which was transferred to Terra Payment Services (Netherlands) B.V. on 2 March 2022. These options were cancelled by passing a shareholder's resolution on 5 January 2022.
- (b) During the year, the Group has issued 34,278 shares with nominal value of USD 0.01 along with a share premium of USD 3.53 each on 24 January 2022.
- (c) As part of group restructuring process and share exchange agreement dated 24 June 2022, the shareholders of the Terra Payment Services (Netherlands) B.V. (a Company domiciled in Netherlands) transferred the entire issued share capital of 134,187 equity shares, 5,303,357 preference shares and other share rights in Terra Payment Services (Netherlands) B.V. to TerraPay Holdings Limited in exchange of 7,868,846 Series A1 shares, 171,030 Series A2 shares, 134,187 Ordinary B shares and 843,435 Ordinary A shares of GBP 1 each along with a share premium of USD 0.21 each. Accordingly, the Terra Payment Services (Netherlands) B.V. is a wholly owned subsidiary of TerraPay Holdings Limited from 24 June 2022.
- (d) During the year, the Company issued 335,468 Ordinary A Shares at GBP 1 each along with share premium of USD 1.428 each.
- (e) During the year, pursuant to necessary approval by the Board of Directors and buy back agreement, the Company has purchased 1 Ordinary Share for a consideration of GBP 1 which is its nominal value.
- (f) During the year, the Company issued 1,433,327 Series B1 Shares at GBP 1 each along with share premium of USD 17.95 each.
- (g) As part of share exchange agreement dated 24 June 2022, Terra Payment Services (Netherlands) B.V. also transferred unsecured convertible loan notes amounting to USD 20,000,000 to TerraPay Holdings Limited along with interest. On 31 October 2022, the Company has issued 1,516,944 Series B2 Shares of GBP 1 each along with share premium of USD 13.16 each on conversion of these convertible loan
- (h) As approved by the board of directors, the Company decided to issue 335,467 Ordinary A Shares to promoters at a value of USD 2.64 per share. As on 31 December 2022, only USD 99,910 is received by the Company and the balance is outstanding.

	As at 31 December 2022	As at 31 December 2021
8 Loans and borrowings		
Non-current		
Loan from financial institutions (Note 1)	34,964,766	44,123,684
	<u>34,964,766</u>	<u>44,123,684</u>
Current		
Loan from financial institutions (Note 1)	20,926,786	-
Borrowings from shareholders (Note 2)	-	20,715,176
	<u>20,926,786</u>	<u>20,715,176</u>
	As at	As at
	31 December 2022	31 December 2021
Movement for loan from financial institutions		
Opening balance	44,123,684	4,801,605
Receipts during the year	11,400,000	38,880,690
Interest accrued but not paid	367,868	441,389
Payment during the year	-	-
Closing balance	<u>55,891,552</u>	<u>44,123,684</u>

Note 1

(a) In December 2020, Terra Payment Services (Mauritius) entered into a debt facility with the Lendable SPC for up to USD 20 million, revised to USD 30 million with effect from 1 December 2021. The facility is denominated in USD with first repayment date of 30 June 2023. The Company has availed this loan facility amounting to USD 24.6 million during the year ended 31 December 2021. The facility interest was at a rate per annum equal to 12 % till 27 October 2021 and later on 11.25% with effect from 28 October 2021 and revised to 10.75% with effect from 23 March 2022.

In May 2022, Terra Payment Services (Mauritius) entered into a revised debt facility with the Lendable SPC for an additional amount of USD 2 million, hence the total limit has been revised to USD 32 million with effect from 24 May 2022. The Company has availed this loan facility amounting to USD 2 million during the year ended 31 December 2022. The facility interest is at a rate per annum equal to 9%. The facility is denominated in USD with first repayment date of 30 June 2023. Subsequent to the balance sheet date, the loan facility to an amount of USD 25 million has been extended by one year, accordingly the repayment of the said loan will commence from June 2024.

(b) In July 2021, Terra Payment Services (Mauritius) entered into a debt facility with the Micro, Small & Medium Enterprises Bonda S.A. The facility is denominated in USD with final maturity date of 15 July 2024. The Company has availed this loan facility amounting to USD 14.28 million during the year ended 31 December 2021. The facility bears interest at a rate per annum equal to 6%.

(c) In July 2022, Terra Payment Services (Mauritius) entered into a debt facility with the Micro, Small & Medium Enterprises Bonda S.A. The facility is denominated in USD with final maturity date of 21 July 2025. The Company has availed this loan facility amounting to USD 9.4 million during the period ended 31 December 2022. The facility bears interest at a rate per annum equal to 8.5%.

The loan is secured by way of combination of a fixed charge over certain assets i.e. settlement assets, trade receivables and cash and cash equivalents of Terra Payment Services (Mauritius) Limited and Terra Payment Services (UK) Limited and on all-assets floating charge over all present and future assets of the Borrower in favour and for the benefit of the Lender, pursuant to the Security Documents. The collateral value as on 31 December 2022 amounts to USD 130.01 million (31 Dec 2021: USD 45.98 million)

TerraPay Holdings Limited
Notes to the consolidated financial statements
 (All amounts are in USD)

8 Loans and borrowings (Continued)

Note 2

Terra Payment Services (Netherlands) B.V. had issued 20,000,000 compulsory convertible notes (CCN) for USD 20,000,000 on 20 May 2021. The instrument carried an interest rate of 6% p.a and a maturity period of 18 months. The principal amount and the interest accrued thereon were convertible into equity shares of the parent entity on equity financing round, change in control or maturity date, whichever is earlier at a conversion price determined as per the agreement.

During the year, as per share exchange agreement, each holder of convertible notes issued by Terra Payment Services (Netherlands) B.V. (the "Terrapay BV Convertible Notes") transfers such Terrapay BV Convertible Notes to TerraPay Holdings Limited in consideration for convertible notes issued by TerraPay Holdings Limited (the "TerraPay HoldCo Convertible Notes"). The principal amount under each of the TerraPay HoldCo Convertible Notes would be equivalent to the principal amount under each of the TerraPay BV Convertible Notes. Accrued interest under each of the TerraPay BV Convertible Notes would be capitalised into principal.

On 31 October 2022, the Company has issued 1,516,944 Series B2 Shares of GBP 1 each along with share premium of USD 19,965,774 on conversion of these convertible loan notes.

	As at 31 December 2022	As at 31 December 2021	
9 Provisions			
Non-current			
Retirement benefits	228,282	47,912	
Leave encashment	161,805	32,803	
	390,087	80,715	
Current			
Retirement benefits	35,752	125	
Leave encashment	61,369	9,300	
	97,121	9,425	
Movement schedule			
	Gratuity	Leave encashment	Total
Balance at 1 January 2022	48,037	42,103	90,140
Provisions made during the year	259,663	224,369	484,032
Paid during the year	43,666	43,298	86,964
Balance at 31 December 2022	264,034	223,174	487,208
Current	35,752	61,369	97,121
Non-current	228,282	161,805	390,087
	264,034	223,174	487,208
	Gratuity	Leave encashment	Total
Balance at 1 January 2021	20,821	16,055	36,876
Provisions made during the period	28,601	27,183	55,784
Effect of movements in exchange rates	(1,385)	(1,135)	(2,520)
Balance at 31 December 2021	48,037	42,103	90,140
Current	125	9,300	9,425
Non-current	47,912	32,803	80,715
	48,037	42,103	90,140

Other employee benefits

The Group contributes to the following post-employment defined benefit plans.

The Group make National insurance / People's pension contribution for qualifying employees in applicable jurisdictions on monthly basis. Under this plan, Group is required to contribute a specified percentage of payroll cost to fund the benefits. The contribution payable to the plan are the rate specified in the rules of the scheme.

Contribution payable to the recognized provident fund, which is a defined contribution scheme, is made monthly at predetermined rates to the appropriate authorities and charged to the statement of profit and loss on an accrual basis. There are no other obligations other than the contribution payable to the respective fund.

Gratuity, a defined benefit scheme, is accrued based on an actuarial valuation at the balance-sheet date (i.e 31 December 2022), carried out by an independent actuary. The present value of the obligation under such defined benefit plan is determined based on an actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional units of employee benefit entitlement and measures each unit separately to build up the final obligation.

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method. The Company has not invested in plan assets for the employee benefits and therefore there are no plan assets.

TerraPay Holdings Limited
Notes to the consolidated financial statements
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9 Provisions (Continued)

The results of the actuarial study for the obligation for employee benefits as computed by the actuary are given below:

	As at 31 December 2022	As at 31 December 2021
Net defined benefit asset (Plan A)	-	-
Net defined benefit liability (Plan B)		
Leave encashment	223,174	42,103
Retirement benefits	264,034	48,037
Total defined benefit liabilities	487,208	90,140

Movement in net defined benefit (asset) liability

	As at 31 December 2022	As at 31 December 2021
Defined benefit obligation (Retirement benefits)		
Balance at the period beginning	48,037	20,821
Included in profit or loss		
Current service cost	155,085	43,285
Past service cost	75,594	-
Interest cost (income)	3,030	1,358
Re measurement of loss / (gain):		
Actuarial loss (gain) arising from:		
- change in demographic assumptions	-	(11,923)
- change in financial assumptions	(7,966)	(3,918)
- change in experience assumptions	(5,784)	(202)
- benefits paid	-	-
- effect of movements in exchange rates	(3,962)	(1,384)
Balance at period end	264,034	48,037

Defined benefit obligation

Actuarial assumptions - Gratuity

The following actuarial assumptions were used by Terrapay Solutions India Private Limited and Terra Payment Services (Mauritius) for the actuarial valuation of defined benefit obligations:

	As at 31 December 2022	As at 31 December 2021
Discount rate	4.65% - 7.50%	6.90%
Future salary growth	6.00% - 10.00%	10.00%
Attrition rate		
Upto 30 years	10% - 20%	10.00%
31-44 years	3% - 20%	3.00%
above 44 years	11% - 20%	11.00%
Mortality rate	India- 100% of IALM 2012-14 Mauritius- 75% of WHO UAE19	IALM 2012-14 Ult.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	As at 31 December 2022		As at 31 December 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(18,579)	21,524	(6,841)	8,352
Future salary growth (1% movement)	20,332	(18,369)	7,987	(6,721)
Attrition Rate (- / + 50% of attrition rates)	(13,617)	18,977	(7,072)	10,484

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current mortality rate underlying the values of the defined benefit obligation at the reporting date as per of IALM 2012-14 and WHO UAE19.

TerraPay Holdings Limited
Notes to the consolidated financial statements
(All amounts are in USD)

9 Provisions (Continued)

Actuarial assumptions - Leave encashment

	As at 31 December 2022	As at 31 December 2021
Discount rate	4.65% - 7.50%	6.90%
Future salary growth	6.00% - 10.00%	10.00%
Attrition rate		
Upto 30 years	10% - 20%	10.00%
31-44 years	3% - 20%	3.00%
above 44 years	11% - 20%	11.00%
Maximum accumulation of leave- staff	45 days	45 days
Mortality Rate	India- 100% of IALM 2012-14 Mauritius- 75% of WHO UAE19	IALM 2012-14 UH.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	As at 31 December 2022		As at 31 December 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(11,702)	13,626	(4,481)	5,441
Future salary growth (1% movement)	13,009	(11,592)	5,220	(4,403)
Attrition Rate (- / + 50% of attrition rates)	(5,424)	9,544	(2,793)	4,857

10 Trade and other payables

	As at 31 December 2022	As at 31 December 2021
Current		
Settlement obligations*	50,377,647	46,630,892
Trade payable	5,715,099	2,903,877
Payables to employees	2,872,670	1,218,830
Statutory dues payable	122,577	104,058
	59,087,993	50,857,657

*Represents money received from Sending partners in advance, which have not yet been paid to end-beneficiary accounts, as at the reporting date and other payables to Receiver partners.

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

	For the year ended 31 December 2022	ended 31 December 2021
11 Revenue from operations		
Income from money transfer services	51,215,951	19,461,380
Less : Discount	-	(722,100)
Net income from money transfer services	51,215,951	18,739,280
Payment gateway services	587,473	430,066
Other operating revenues	159,655	158,225
	51,963,079	19,327,571

Revenue from money transfer services represents the fees charged to Sending Partners as per agreed contractual terms. For international transfers, Group charge a single upfront fee per transaction, consisting of a fixed amount and the group earns a forex spread while settling the money with the end beneficiaries in local currencies. Gateway Services represents fee earned on transactions processed on our platform by the customers. The invoices are generated on monthly basis, usually payable in 30 days.

	For the year ended 31 December 2022	ended 31 December 2021
Revenue from contract with customers		
a) Timing of revenue recognition as follows		
Services transferred at a point in time	51,963,079	19,327,571
Services transferred over time	-	-
Total	51,963,079	19,327,571

b) The following table provides information about receivables, contract assets and liabilities from contract with customers

Particulars	As at 31 December 2022	As at 31 December 2021
	Trade Receivables (Refer Note 5)	2,032,416
Advance from customers	-	-
Contract assets	-	-

	For the year ended 31 December 2022	For the year ended
12 Other income		
Interest income	51,714	170,935
Miscellaneous income	58,310	123,645
	110,024	294,580

	For the year ended 31 December 2022	For the year ended
13 Operating expenses		
Fee for money transfer services	10,337,212	7,757,989
	10,337,212	7,757,989

Fee for money transfer services include amounts paid to Receive Partners in the form of commission for settlement to end beneficiaries and charges paid for facilitating such transfers.

	For the year ended 31 December 2022	For the year ended
14 Personnel expenses		
Salaries and wages	11,032,416	6,937,288
Share based payments*	186,626	-
Social securities	756,416	225,848
Staff welfare expense	562,324	392,076
	12,537,782	7,555,212

*Refer Note 23

	For the year ended 31 December 2022	For the year ended
15 Finance costs		
Interest on term loan	4,972,898	2,096,710
Interest on convertible loan	1,004,921	747,621
Interest on other borrowings	-	10,660
Interest on lease liabilities	137,333	11,451
	6,115,152	2,866,442

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

	For the year ended 31 December 2022	For the year ended
16 Other expenses		
Consultancy charges	3,713,285	1,176,636
Legal and professional charges	3,418,270	1,686,270
Software charges	1,857,434	988,834
Advertising and sales promotion	2,455,316	937,056
Bank charges	1,220,066	-
Rent	146,661	174,566
Rates and taxes	469,316	163,593
Insurance	135,499	93,216
Travelling and conveyance	2,263,846	683,081
Communication costs	167,706	34,903
Foreign exchange loss (net)	988,718	503,148
Miscellaneous expenses	267,591	108,822
	<u>17,103,708</u>	<u>6,550,125</u>
	For the year ended 31 December 2022	For the year ended
17 Income taxes		
Current tax liabilities	1,189,236	33,443
i) Tax (credit)/charge		
Current tax	1,416,995	96,734
Deferred tax movement	(1,962,194)	(51,680)
Total tax (credit)/charge	<u>(545,199)</u>	<u>45,054</u>
ii) Amount recognised in Other comprehensive income	3,460	4,038
iii) Reconciliation of effective tax rate		
Profit/ (loss) for the year after taxation	4,332,393	(5,685,771)
Total tax credit/ (charge)	545,199	(45,054)
Profit/ (loss) for the year before taxation	<u>3,787,194</u>	<u>(5,640,717)</u>
Tax using the respective country rates	1,230,526	88,224
Losses carried forward	(1,953,571)	(39,808)
Expenses not deductible for tax purposes	1,835,790	8,510
Others	(567,546)	(101,980)
Total tax credit/(charge) included in profit or loss	<u>545,199</u>	<u>(45,054)</u>

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

18 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items, because management considers it is probable that future taxable profit will be available against which the Group can use the benefits there from:

	As at 31 December 2022	As at 31 December 2021
Deferred tax assets	2,037,533	88,150
Deferred Tax assets contribute the following		
Property, plant and equipment	(21,145)	(7,373)
Business loss	1,988,293	71,756
Employee benefits and other provisions	70,385	23,767
Total	<u>2,037,533</u>	<u>88,150</u>

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

18 Deferred tax assets (continued)

Movement in deferred tax balances for the year ended 31 December 2022

	Net balance as at 1 January 2022	(Charge)/credit in the statement of profit and loss	Amount recognised in other comprehensive income	Effect of exchange fluctuation	Net balance as at 31 December 2022
Tax effect of items constituting deferred tax liabilities					
Property, plant and equipment	(7,373)	(14,385)	-	613	(21,145)
	(7,373)	(14,385)	-	613	(21,145)
Tax effect of items constituting deferred tax assets					
Business loss	71,756	1,953,571		(37,034)	1,988,293
Employee benefits and other provision	23,767	23,008	(3,460)	9,669	70,385
	95,523	1,976,579	(3,460)	(27,365)	2,058,678
Net tax asset / (liabilities)	88,150	1,962,194	(3,460)	(26,752)	2,037,533
	Net balance as at 1 January 2021	(Charge)/credit in the statement of profit and loss	Amount recognised in other comprehensive income	Effect of exchange fluctuation	Net balance as at 31 December 2021
Tax effect of items constituting deferred tax liabilities					
Property, plant and equipment	(1,432)	(5,990)	-	49	(7,373)
	(1,432)	(5,990)	-	49	(7,373)
Tax effect of items constituting deferred tax assets					
Business loss	33,241	39,808		(1,293)	71,756
Employee benefits and other provision	10,298	17,862	(4,038)	(355)	23,767
	43,539	57,670	(4,038)	(1,648)	95,523
Net tax asset / (liabilities)	42,107	51,680	(4,038)	(1,599)	88,150

19 Commitments

Guarantees to term loan

- 1). Terra Payment Services (Netherlands) B.V has issued corporate guarantees to Western Union Online Limited covering financial liabilities of Terra Payment Services (Mauritius) upto USD 35 million (2021: USD 15 million).
- 2). Terra Payment Services (Netherlands) B.V is party to loan facility agreement entered between Lendable SPC and Terra Payment Services (Mauritius) for an amount upto USD 32 million (2021: USD 30 million). The Terra Payment Services (Mauritius) has drawn down the facility upto the extent of USD 32 million as of 31 December 2022 (2021: USD 30 million). (Refer note 8)
- 3). Terra Payment Services (Netherlands) B.V is party to loan facility agreement entered between Micro, Small & Medium Enterprises Bonds S.A., and Terra Payment Services (Mauritius) for an amount upto USD 23.83 million (2021: USD 14.43 million). The Terra Payment Services (Mauritius) has drawn down the facility upto the extent of USD 23.83 million as of 31 December 2022 (2021: USD 14.43 million). (Refer note 8)

20 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Group is TerraPay Holdings Limited

Entities having significant influence/shareholders

1. International Finance Corporation
2. Prime V Holding 2 B.V.
3. Partech Africa SLP

List of Key Managerial Personnel (KMP)

Board of Directors

1. Ambar Sur*
2. Aniruddha Krishnaji Sane *
3. Mohd Saif Abbasi*
4. Petrus Bartholomeus Ludovicus Maria Welten **
5. Cyril Collon**
6. Rostan Hermani Schwab **
7. Arif Hussain**
8. Ronaldus Antonius Josef Vollebregt **

* Appointed on 6 December 2021 and resigned on 24 August 2022.

** Appointed on 1 July 2022.

TerraPay Holdings Limited

Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in USD)

20 Related parties (Continued)

Transactions with key management personnel :

	Transactions during the year		Outstanding balance	
	For the year ended 31 December 2022	For the year ended 31 December 2021	As at 31 December 2022	As at 31 December 2021
Short-term employee benefits to management board*	1,553,305	1,210,000	616,254	385,000
Commission and other benefits to supervisory board	54,120	30,686	-	7,672
Compulsorily Convertible Loan ('CCN') issued	-	500,000	-	500,000
Interest on CCN issued	24,928	17,879	-	17,879
Conversion of CCN to equity shares	542,807	-	542,807	-
Issuc of equity shares as part of Series B	354,996	-	354,996	-
Buyback of equity shares	1	-	-	-
Equity shares issued as part of share exchange	762,266	-	762,266	-

*The amounts does not include provision for gratuity/retirement benefits and compensated absences as the same is determined for the Group as a whole based on an actuarial valuation.

Entities having significant influence/ Shareholders :

	Transaction during the year		Outstanding balance	
	For the year ended 31 December 2022	For the year ended 31 December 2021	As at 31 December 2022	As at 31 December 2021
Compulsorily Convertible Loan ('CCN') issued:				
International Finance Corporation	-	4,555,730	-	4,555,730
Prime V Holding 2 B.V.	-	10,959,131	-	10,959,131
Partech Africa SLP	-	3,985,139	-	3,985,139
Interest on CCN issued:				
International Finance Corporation	227,128	162,907	-	162,907
Prime V Holding 2 B.V.	552,101	391,885	-	391,885
Partech Africa SLP	200,764	142,504	-	142,504
Issue of equity shares as part of Series B:				
International Finance Corporation	9,999,999	-	9,999,999	-
Prime V Holding 2 B.V.	16,933,660	-	16,933,660	-
Conversion of CCN to equity shares				
International Finance Corporation	4,945,765	-	4,945,765	-
Prime V Holding 2 B.V.	11,903,118	-	11,903,118	-
Partech Africa SLP	4,328,407	-	4,328,407	-
Equity shares issued as part of share exchange				
International Finance Corporation	2,251,370	-	2,251,370	-
Prime V Holding 2 B.V.	5,415,829	-	5,415,829	-
Partech Africa SLP	1,969,392	-	1,969,392	-
Transactions with relative of key management personnel :				
Issuc of equity shares as part of Series B	74,989	-	74,989	-
Equity shares issued as part of share exchange	527,697	-	527,697	-

21 Financial Instruments - fair values and risk management

Overview

The Group manages its capital to ensure that the Group will be able to continue as going concern. The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

Accounting classifications and fair values

A table showing the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy has been added at the end of this note. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The Group's management provides services to the business, monitors and manages the financial risks relating to the operations of the Group, analyses exposures by degree and magnitude of risks.

The Group has exposure to the following risks from their use of financial instruments:

- a) Credit risk;
- b) Liquidity risk;
- c) Market risk;
- d) Currency risk;
- e) Interest rate risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management reviews financial risk on periodical basis and takes the appropriate measures to mitigate such risk, where necessary.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. During the year ended 31 December 2022, the Group has relied on 44% (PY:60%) of revenues from two of their customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesaler, retail or end-user customer, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

The Group operates in a prefunding model with international money transfer (IMT) providers which reduces overall credit risk and the associated risk is further mitigated by banking with creditworthy institutions.

At 31 December 2022, the ageing of trade receivables, excluding provision, was as follows:

	As at 31 December 2022	As at 31 December 2021
Not due - past due upto 30 days	1,096,538	761,760
Past due 31-60 days	108,245	463,709
Past due 61-120 days	421,779	259,144
Past due 121-180 days	138,663	13,527
Past due > 180 days	267,192	948,954
	<u>2,032,417</u>	<u>2,447,094</u>

The Group periodically reviews the trade and other receivables outstanding. If, based upon a review, there is any indication of irrecoverability or impairment, the impairment loss is estimated. Impairment losses are reversed, if there is a change in the estimates used to determine the recoverable amount. Based on group management review, no allowance for impairment is estimated as at 31 December 2022 for trade receivables.

	As at 31 December 2022	As at 31 December 2021
The movement in allowance for credit loss in respect of settlement assets during the year was as follows		
Balance as at 1 January 2022	386,542	118,855
Provision for expected credit loss on financial assets (net)	1,393,579	389,894
Amounts written off (net)	(983,750)	(118,855)
Effect of movements in exchange rates	-	(3,352)
Balance at 31 December 2022	<u>796,371</u>	<u>386,542</u>

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

21 Financial Instruments - fair values and risk management (continued)

a) Credit risk (Continued)

Cash and cash equivalents

The Group held cash and cash equivalents of USD 3.89 million as at 31 December 2022 (31 December 2021: USD 21.86 million). The cash and cash equivalents includes cash and deposits held with banks. The group considers its cash and cash equivalents to have low credit risks by dealing with creditworthy institutions and therefore no impairment has been provided for cash and cash equivalents.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted. For lease liabilities, refer note 3(b).

31 December 2022	Carrying amount	Contractual cash flow			
		Total	Repayable on demand	Within one year	After one year
Loans and borrowings	55,891,552	55,891,552	-	20,926,748	34,964,804
Trade and other payables	59,087,993	59,087,993	59,087,993	-	-
	114,979,545	114,979,545	59,087,993	20,926,748	34,964,804

31 December 2021	Carrying amount	Contractual cash flow			
		Total	Repayable on demand	Within one year	After one year
Loans and borrowings	64,838,860	64,838,860	20,715,176	334,418	43,789,266
Trade and other payables	50,857,657	50,857,657	50,857,657	-	-
	115,696,517	115,696,517	71,572,833	334,418	43,789,266

c) Market risk

Market risk is the risk that the value of an investment will decrease due to movement in market factors like foreign exchange rates, interest rates, etc. Since the Group doesn't have any external investment, Group's exposure to market risk is on the lower side.

d) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in foreign currency. The functional currency of the Group is the United States Dollar. The major currencies in which settlement transactions occurs are GBP, CAD, INR, EUR, TZS, XAF, XOF and GHS.

The Group monitors the currency rate variances on monthly basis. On balance sheet date, group considers that currency risk is within acceptable limits. The groups net exposure to currency risk is not managed through trading of speculative instruments.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows - all amounts are in USD:

31 December 2022	Cash and cash equivalents	Trade and other receivables	Trade and other payables	Net exposure
GBP	557,996	6,104,820	(5,340,858)	1,321,957
CAD	13,434	46,924	(5,789,814)	(5,729,456)
INR	451,127	30,023,713	(520,054)	29,954,785
EUR	771,505	7,024,053	(23,251,537)	(15,455,980)
TZS	25,589	6,625,890	(207,123)	6,444,356
XAF	-	3,946,685	(921,749)	3,024,936
XOF	25,921	12,978,823	(58,546)	12,946,198
GHS	-	3,771,932	(598,136)	3,173,796

31 December 2021	Cash and cash equivalents	Trade and other receivables	Trade and other payables	Net exposure
GBP	547,295	-	(150,186)	397,109
CAD	-	-	(2,125)	(2,125)
INR	178,622	17,483,665	(1,143,833)	16,518,454
EUR	642,717	18,602,646	(5,956,993)	13,288,370
TZS	79,120	5,122,907	(187,564)	5,014,463
XAF	22,918	1,841,267	-	1,864,185
XOF	5,000	6,887,554	-	6,892,554
GHS	-	10,519,272	-	10,519,272

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

21 Financial Instruments - fair values and risk management (continued)

a) Currency risk (Continued)

The following significant exchange rates have been applied during the year:

Currency	Year End Rate		Average Rate	
	As at 31 December 2022	As at 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2021
GBP (Great Britain Pound)	1.21030	1.35007	1.23720	1.37571
CAD (Canadian Dollar)	0.73700	0.80192	0.76890	0.79917
INR (Indian Rupee)	0.01208	0.01321	0.01274	0.01353
EUR (Euro)	1.07204	1.13161	1.05771	1.18294
TZS (Tanzanian shilling)	0.00043	0.00043	0.00043	0.00043
XAF (Central African CFA franc)	0.00163	0.00180	0.00161	0.00180
XOF (West African CFA franc)	0.00163	0.00180	0.00161	0.00180
GHS (Ghanaian cedi)	0.09864	0.16610	0.11814	0.16540

As at 31 December 2022	Profit or loss		Equity, net of tax	
	Strengthening USD	Weakening USD	Strengthening USD	Weakening USD
GBP (5% movement)	66,098	(66,098)	66,098	(66,098)
CAD (5% movement)	(286,473)	286,473	(286,473)	286,473
INR (5% movement)	1,497,739	(1,497,739)	1,497,739	(1,497,739)
EUR (5% movement)	(772,799)	772,799	(772,799)	772,799
TZS (5% movement)	322,218	(322,218)	322,218	(322,218)
XAF (5% movement)	151,247	(151,247)	151,247	(151,247)
XOF (5% movement)	647,310	(647,310)	647,310	(647,310)
GHS (5% movement)	158,690	(158,690)	158,690	(158,690)

As at 31 December 2021	Profit or loss		Equity, net of tax	
	Strengthening USD	Weakening USD	Strengthening USD	Weakening USD
GBP (5% movement)	19,855	(19,855)	19,855	(19,855)
CAD (5% movement)	(106)	106	(106)	106
INR (5% movement)	825,923	(825,923)	825,923	(825,923)
EUR (5% movement)	664,418	(664,418)	664,418	(664,418)
TZS (5% movement)	250,723	(250,723)	250,723	(250,723)
XAF (5% movement)	93,209	(93,209)	93,209	(93,209)
XOF (5% movement)	344,628	(344,628)	344,628	(344,628)
GHS (5% movement)	525,964	(525,964)	525,964	(525,964)

The group mitigates the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The group enters into derivative contract for buy of INR using USD. Derivatives are used exclusively for hedging and not as trading or speculative instruments.

Details of derivatives outstanding as at balance sheet date

Particulars	31 December 2022		31 December 2021	
	Amount in USD	Amount in foreign currency (INR)	Amount in USD	Amount in foreign currency (INR)
Foreign currency derivative contracts	482,440	40,000,000	1,000,000	75,500,000

As on 31 December 2022, the Group has accounted derivative asset of USD 1,640 (PY: USD 251) against these derivative contracts which is classified under other receivables.

e) Interest rate risk

The Group has borrowings in the form of loan from others. The interest rate on all these are fixed and therefore the Company does not expect any interest rate risk. (Refer Note 8)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management of the Group is as follows:

Financial liabilities - Loans and borrowings	Carrying amount	
	As at 31 December 2022	As at 31 December 2021
Variable rate borrowings	-	-
Fixed rate borrowings	55,891,552	64,838,860
Particulars	Impact on Profit/(Loss)	
1% increase in variable rate	-	-
1% decrease in variable rate	-	-

TerraPay Holdings Limited
Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in USD)

21 Financial Instruments: fair values and risk management (continued)

e) Interest rate risk (Continued)

Measurement of fair values

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2

Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3

Inputs for the assets or liabilities that are not based on observable market data (observable data).

Fair value hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As at 31 December 2022

	Carrying amount				Fair value			
	Financial assets at amortised cost	FVTPL	Financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash & cash equivalents	3,890,437	-	-	3,890,437	-	-	-	-
Trade & other receivables	159,115,493	1,640	-	159,117,133	-	1,640	-	1,640
	163,005,930	1,640	-	163,007,570		1,640		1,640
Financial liabilities not measured at fair value								
Borrowings	-	-	(55,891,552)	(55,891,552)	-	-	-	-
Trade & other payables	-	-	(59,087,993)	(59,087,993)	-	-	-	-
	-	-	(114,979,545)	(114,979,545)	-	-	-	-

As at 31 December 2021

	Carrying amount				Fair value			
	Financial assets at amortised cost	FVTPL	Financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash & cash equivalents	21,868,008	-	-	21,868,008	-	-	-	-
Trade & other receivables	91,827,820	251	-	91,828,071	-	251	-	251
	113,695,828	251	-	113,696,079	-	251	-	251
Financial liabilities not measured at fair value								
Borrowings	-	-	(64,838,860)	(64,838,860)	-	-	-	-
Trade & other payables	-	-	(50,857,657)	(50,857,657)	-	-	-	-
	-	-	(115,696,517)	(115,696,517)	-	-	-	-

22 Capital management

The Group's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio. For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and other equity.

	As at 31 December 2022	As at 31 December 2021
Total equity attributable to the equity shareholders of the Group (A)	55,291,251	672,245
Total liabilities	118,286,694	116,217,970
Less: cash and cash equivalents	(3,890,437)	(21,868,008)
Net debt (B)	114,396,257	94,349,962
Net debt to total equity ratio (B/A)	2.07	140.35

TerraPay Holdings Limited**Notes to consolidated financial statements for the year ended 31 December 2022 (Continued)**

(All amounts are in USD)

23 Share based payment arrangements**A) Description of share based payment arrangements**

At 31 December 2022, the Group had the following equity settled share based payment arrangement.

During the year, the Group instituted Employee Stock Option Plans (ESOP) to grant equity based incentives to eligible employees of the Group. The key terms and conditions related to the grants under these programmes are as follows;

Grant date	Number of Instruments	Vesting conditions	Contractual life of options
30 June 2022	271,758	50% of the option rights are already vested as on 31 December 2022, 25% to be vested on 2 March 2023 and the balance 25% to be vested on 2 March 2024.	10 years

B) Measurement of fair values

The fair value of the employee share options has been measured using Block Scholes Model. The inputs used in the measurement of the fair values at grant date of the equity-settled-share-based payments plan are as follows;

Particulars	As at 31 December 2022	As at 31 December 2021
Fair value at grant date	0.90	-
Share price at grant date	1.34	-
Exercise price	1.77	-
Expected volatility (weighted average)	82.53%	-
Expected life (weighted average)	6.02 Years	-
Expected dividends	0%	-
Risk Free interest rate (based on government bonds)	2.89%	-

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the expected volatility on an evaluation of the historical volatility of the comparable companies share price.

C) Reconciliation of outstanding share price

Particulars	As at 31 December 2022		As at 31 December 2021	
	Number	Exercise Price	Number	Exercise Price
Outstanding as at 1 January	-	-	-	-
Forfeited during the year	-	-	-	-
Granted during the year	271,758	USD 1.77	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	271,758	USD 1.77	-	-
Exercisable at year end	135,879	USD 1.77	-	-

D) Expense recognised in profit and loss

Share based payments expense of USD 186,626 has been recognised under Personnel expenses (refer to Note 14)

24 Subsequent events

Subsequent to 31 December 2022, Visa International Service Association invested in the Company for a total of amount of USD 4,999,990 in exchange for the allotment and issue to 261,903 Series B1 shares of GBP 1 each in the capital of the Company. Further, the Company has invested in a wholly owned subsidiary Terra Payment Services Italy S.r.l.

There have been no other significant events after the reporting date which needs disclosures in or amendments to the standalone financial statements for the year ended 31 December 2022.

TerraPay Holdings Limited
Company only statement of financial position as at 31 December 2022
(All amounts are in GBP)

	Notes	As at 31 December 2022	As at 31 December 2021
Assets			
Property, plant and equipment	3	13,067	-
Investments	4	10,538,389	-
Non-current assets		10,551,456	-
Trade and other receivables	5	41,721,239	1
Cash and cash equivalents	6	67,726	-
Current assets		41,788,965	1
Total assets		52,340,421	1
Equity			
Share capital		12,303,237	1
Share premium		41,782,069	-
Reserves		(1,614,878)	-
Accumulated losses		(407,877)	-
Equity attributable to owners of the company	7	52,062,551	1
Share application money	7	82,550	-
Total equity		52,145,101	1
Current tax liabilities	13	71,419	-
Trade and other payables	8	123,901	-
Current liabilities		195,320	-
Total liabilities		195,320	-
Total equity and liabilities		52,340,421	1

All results are derived from continuing activities

The notes on pages 52 to 72 are an integral part of these standalone financial statements.

Authorised and approved for issue by the Board of directors on 9 November 2023 and signed on its behalf
by:

Ambar Sur

Ambar Sur
Director

Pieter Welten

Petrus Bartholomeus Ludovicus Maria Welten
Director

TerraPay Holdings Limited**Company only statement of profit or loss and other comprehensive income for the year ended 31 December 2022**

(All amounts are in GBP)

	Notes	For the year ended 31 December 2022	For the period from 6 December 2021 to 31 December 2021
Income			
Revenue from operations	9	3,268	-
Other income	10	839,742	-
Total income		843,010	-
Expenses			
Finance cost	11	(362,397)	-
Share based payments	17	(154,198)	-
Other expenses	12	(662,873)	-
Total expenses		(1,179,468)	-
(Loss) before tax for the year		(336,458)	-
Taxation			
Current tax	13	(71,419)	-
(Loss) for the year		(407,877)	-
Other comprehensive loss for the year, net of tax			
<i>Items that will be reclassified to profit or loss</i>			
Foreign currency translation loss, (net)		(1,769,076)	-
Other comprehensive loss for the year, net of tax		(1,769,076)	-
Total comprehensive loss for the year		(2,176,953)	-

All results are derived from continuing activities

The notes on pages 52 to 72 are an integral part of these standalone financial statements.

TerraPay Holdings Limited

Company only statement of changes in equity for the year ended 31 December 2022

(All amounts are in GBP)

	Share capital	Share premium	Translation reserve	Accumulated losses	Stock options outstanding	Total
Balance as at 6 December 2021	-	-	-	-	-	-
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-
Transactions with owners of the Company						
Issue of shares during the period	1	-	-	-	-	1
Total transactions with owners of the company	1	-	-	-	-	1
Balance as at 31 December 2021	1	-	-	-	-	1
Balance as at 1 January 2022	1	-	-	-	-	1
Total comprehensive loss for the year						
Loss for the year	-	-	-	(407,877)	-	(407,877)
Other comprehensive loss for the year	-	-	(1,769,076)	-	-	(1,769,076)
Total comprehensive loss for the year	-	-	(1,769,076)	(407,877)	-	(2,176,953)
Transactions with owners of the Company						
Issue of shares during the year	12,303,237	41,782,069	-	-	-	54,085,306
Buyback of shares (Refer note 7(c))	(1)	-	-	-	-	(1)
Equity settled share based payments (refer note 17)	-	-	-	-	154,198	154,198
Total transactions with owners of the company	12,303,236	41,782,069	-	-	154,198	54,239,503
Balance as at 31 December 2022	12,303,237	41,782,069	(1,769,076)	(407,877)	154,198	52,062,551

The description of the nature and purpose of each reserve within equity is as follows:

a) Share premium

This represents premium received on issue of shares. (Refer note 7)

b) Accumulated losses

This represents the profits / (losses) of the Company earned till date, net of appropriations.

c) Stock options outstanding account

The Company has established share based payment for eligible employees. Also refer note 17 for further details on these plans.

All results are derived from continuing activities

The notes on pages 52 to 72 are an integral part of these standalone financial statements.

TerraPay Holdings Limited

Company only statement of cash flows for the year ended 31 December 2022

(All amounts are in GBP)

	For the year ended 31 December 2022	For the period from 6 December 2021 to 31 December 2021
Cash flows from operating activities		
Loss for the period	(407,877)	-
Adjustments for:		
Finance costs	362,397	-
Foreign exchange loss (net)	485,475	-
Share based payments expenses	154,198	-
Interest income	(839,742)	-
Tax expenses	71,419	-
	<u>(174,130)</u>	-
Change in:		
Trade and other receivables	(18,356,895)	(1)
Trade and other payables	123,901	-
Cash used in operating activities	<u>(18,407,124)</u>	<u>(1)</u>
Income taxes paid	-	-
Net cash used in operating activities	<u>(18,407,124)</u>	<u>(1)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(13,067)	-
Investments in subsidiaries	(10,538,389)	-
Advance for investments	(301,021)	-
Net cash used in investing activities	<u>(10,852,477)</u>	-
Cash flows from financing activities		
Proceeds from issue of share capital	51,953,833	1
Proceeds from share application money	82,550	-
Buyback of shares	(1)	-
Issue of borrowings (net)	(22,709,055)	-
Net cash from financing activities	<u>29,327,327</u>	<u>1</u>
Net increase in cash and cash equivalents	<u>67,726</u>	-
Cash and cash equivalents at the beginning of the year/ period	-	-
Cash and cash equivalents at 31 December 2022	<u><u>67,726</u></u>	-

All results are derived from continuing activities

The notes on pages 52 to 72 are an integral part of these standalone financial statements.

Terrapay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

1 Reporting entity

TerraPay Holdings Limited ("the Company") is domiciled in the UK. The address of the Company's registered office is at 2nd Floor 107 Cheapside, London, United Kingdom, EC2V 6DN. The Company was incorporated on 6 December 2021 with corporate seat in London and is registered in the Trade Register at the Companies House under number 13784842. The Company is an investment holding company and the Company also provide management services to its subsidiaries.

2 Basis of preparation

2.1 Statement of compliance

The company financial statements have been prepared in accordance with and comply with UK adopted accounting standards and comply with the *United Kingdom Companies Act 2006*.

The company financial statements were authorised for issue by the Board of Directors on 9 November 2023.

2.2 Basis of measurement

The company financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the *United Kingdom Companies Act 2006*. These company financial statements are prepared on the going concern basis under the historical cost convention.

2.3 Functional and presentation currency

The company has been incorporated in United Kingdom. As a result, the company financial statements are presented in local currency i.e Great Britain Pound ("GBP"). Whereas the functional currency of the Company is US Dollars ("USD"). All amounts have been rounded to the nearest GBP, unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of company financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Judgements

The preparation of company financial statements in accordance with IFRS requires the directors and management to exercise judgements in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the company financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition, therefore, often differ from the related accounting estimates.

Where applicable, the notes to the company financial statements set out areas where management has applied a higher degree of judgements that have a significant effect on the amounts recognised in the company financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgement areas

(1) Determination of functional currency

'Functional currency' is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

The Company's transactions are mainly denominated in US Dollar (USD). The primary objective of the Company is to generate returns and capital growth in USD for the benefit of its shareholder. The assets and liabilities of the Company and the cash flows are predominantly USD denominated. The Company's performance is also evaluated in USD. The determination of the Company's functional currency is determined based on management's significant judgement in assessing the economic environment in which the Company operates.

There are no other significant judgements made in applying accounting policies that have the most material effects on the amounts recognised in the company financial statements.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2.4 Use of estimates and judgments (Continued)

(b) Assumptions and estimation uncertainties

i) Useful lives of property, plant and equipment

Property, plant and equipment represent a material asset balance of the Company. The charge in respect of periodic depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful life and residual values of Company's assets are determined by Management at the time the asset is acquired and reviewed periodically, including each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

ii) Calculation of Expected Credit Loss

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Company while determining the ECL, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The Company's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Company has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Company reviews its trade and other receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a homogenous group of receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

iii) Going concern

Management of the Company is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the company financial statements continue to be prepared on the going concern basis.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2. 5 New standards, amendments and interpretations adopted during the year

There has been amendments and interpretations that have become effective for the current year. The Company has adopted the following new amendments and interpretation during the year:

(i) Annual Improvements to IFRS Standards 2018-2020

The amendment clarifies that for the purpose of performing the "10%" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The Directors have assessed the impact of the amendments IFRS Standards and is of the view that they do not have any impact on the Company's financial statements for the year under review.

(ii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant, and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The Directors have assessed the impact of the amendments to IAS 16 and is of the view that they do not have any impact on the Company's financial statements for the year under review.

(iii) Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standard Board ('IAS Board'), clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g., direct labour and materials; and
- an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The Directors have assessed the impact of the amendments to IAS 37 and is of the view that they do not have any impact on the Company's financial statements for the year under review.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2.6 New standards, amendments and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

(i) Definition of Accounting Estimates (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The IAS Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Company is currently assessing the impact the amendments will have on the current period.

(ii) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendment is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are to be applied retrospectively from the effective date.

The Company is currently assessing the impact the amendments will have on the current period.

(iii) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments apply for annual reporting periods beginning on or after 1 January 2023.

The Company is currently assessing the impact the amendments will have on the current period.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2.6 New standards, amendments and interpretations issued but not yet effective (Continued)

(iv) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board.

The IAS Board has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- Accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The IAS Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The amendments are effective from 1 January 2023 but may be applied earlier.

The Company is currently assessing the impact the amendments will have on the current period.

2.7 Significant accounting policies

The accounting policies set out below have been applied consistently in the periods presented in these special purpose company financial statements and have been applied consistently by the Company entities.

(a) Revenue

The Company is an investment holding company, as such there is no revenue from contract with customers. Revenue from inter-company support services is recognized on a "cost plus" model as per the terms of the contract entered into by the Company with its group companies.

(b) Finance costs

Finance cost comprise of interest on borrowings and are recognized as it accrues in the profit or loss using the effective interest method.

(c) Expense recognition

Expenses are accounted in profit or loss on an accrual basis and in accordance with the substance of relevant agreements.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2.7 Significant accounting policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of an asset.

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful life of items of property, plant and equipment.

The depreciation method and useful lives, as well as residual values if not insignificant are reassessed annually. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other income/other expenses in the profit or loss.

Capital work-in progress comprises of the cost of property, plant and equipment that are not yet ready for their intended use as on the balance sheet date.

(e) Foreign currency

(i) Foreign currency transaction

Transactions denominated in foreign currencies are translated into GBP at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into GBP at the exchange rates ruling on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into GBP at the foreign exchange rate ruling at the date of the transaction. Realized and unrealized exchange gains and losses have been dealt with in the profit or loss.

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Recognition and initial measurement

Non derivative financial instruments consist of:

- financial assets, which include cash and cash equivalents and trade and other receivables (excluding prepayments and advances); and

- financial liabilities, which include long and short-term borrowings, trade and other payables.

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

TerraPay Holdings Limited**Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)**

(All amounts are in GBP)

2 Basis of preparation (Continued)**2. 7 Significant accounting policies (Continued)****(f) Financial instruments (Continued)****ii) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Any gain or loss on derecognition is recognised in the consolidated profit or loss.
Financial assets at FVTPL	These assets (including derivatives) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated profit or loss.
Debt investments at FVTPL	Compound financial instruments issued by the Company comprise convertible notes denominated in USD that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to consolidated profit or loss.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2.7 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated profit or loss. Any gain or loss on derecognition is also recognised in the consolidated profit or loss.

iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions, whereby, it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company has elected to present the statement of cash flows using the indirect method.

vi) Borrowing costs

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred and are calculated by using the effective interest rate. However, borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets are capitalized as part of the cost of that asset. The capitalization of borrowing costs commences from the date of incurring of expenditure relating to qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or development are expensed.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2.7 Significant accounting policies (Continued)

(f) Financial instruments (Continued)

vii) Impairment

The Company applies the expected credit loss model (ECL) for recognizing impairment loss on financial assets (trade receivables and other financial assets) measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

(h) Provisions

A provision is recognized in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

2 Basis of preparation (Continued)

2. 7 Significant accounting policies (Continued)

(i) Income tax

Income tax on the profit or loss for the year for entities in a tax jurisdiction comprises current and deferred tax. Income tax is recognized in the profit or loss of these entities for the period except to the extent that it relates to items recognized directly to equity or other comprehensive income.

i. Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years, in accordance with the applicable laws of the jurisdiction where these entities are incorporated.

ii. Deferred Tax

Deferred income tax is recognised in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate company financial statements.

Deferred tax is not recognised for:

- Temporary difference on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Company is able to control the timing of reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Employee Stock Option Plans (ESOPs)

For ESOPs with vesting condition, the grant date fair value of ESOPs granted to employees is recognised as an employee expense, with a corresponding increase in equity reserve, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For ESOPs with non-vesting condition, the grant date fair value of the ESOPs is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

3 Property, plant and equipment

	Capital work in progress	Total
Cost		
Balance at 6 December 2021	-	-
Additions	-	-
Balance at 31 December 2021	-	-
Accumulated depreciation at the beginning and end of the period	-	-
Cost		
Balance at 1 January 2022	-	-
Additions	13,067	13,067
Balance at 31 December 2022	13,067	13,067
Accumulated depreciation at the beginning and end of the year	-	-
Carrying amounts		
At 31 December 2022	13,067	13,067
At 31 December 2021	-	-

As at
31 December 2022 31 December 2021

4 Investments

Terra Payment Services (Denmark) ApS 40,000 (31 December 2021: NIL) equity shares of face value of DKK 1 each	5,713	-
Terra Payment Services (Netherlands) B.V 5,437,544 (31 December 2021: NIL) equity shares of face value of USD 0.01 each*	10,532,676	-
Terra Payment Services (Malaysia) Sdn. Bhd. 1 (31 December 2021: NIL) equity shares of face value of MYR 1 each	**	-
	10,538,389	-

*Also Refer Note 7

*Amount is below the rounding off norms adopted by the Company

As at
31 December 2022 31 December 2021

5 Trade and other receivables

Prepayments	5,386	-
Working capital loans to related parties*	22,709,055	-
Receivable from related parties**	18,683,633	1
Advance for investments	301,021	-
Other receivables	22,144	-
	41,721,239	1

*Represents amounts owed by group undertakings for advances paid to Receiver partners on behalf of the group company, working capital loan and amount receivables on account of cost recharge, and the same is unsecured and repayable on demand.

**Represents money advanced to Receiver partners, for the remittance to the end-beneficiary accounts in future - based on the instructions of the Company and other receivables from Sending partners.

As at
31 December 2022 31 December 2021

6 Cash and cash equivalents

Bank balances	67,726	-
	67,726	-

As at
31 December 2022 31 December 2021

7 Equity

Share capital	12,303,237	1
Share premium	41,782,069	-
Other reserves	(1,614,878)	-
Accumulated losses	(407,877)	-
Equity attributable to owners of the company	52,062,551	1
Share application money*	82,550	-
Total equity	52,145,101	1

* Represent amount received for share application and pending allotment as on year end. Also, refer note (f).

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

7 Equity (Continued)

Share capital

	As at 31 December 2022		As at 31 December 2021	
	Number of shares	Amount	Number of shares	Amount
Authorised, issued, subscribed and paid				
Equity shares:				
Ordinary Shares of GBP 1 each	-	-	1	1
Series A1 Shares of GBP 1 each	7,868,846	7,868,846	-	-
Series A2 Shares of GBP 1 each	171,030	171,030	-	-
Ordinary A Shares of GBP 1 each	1,178,903	1,178,903	-	-
Ordinary B Shares of GBP 1 each	134,187	134,187	-	-
Series B1 Shares of GBP 1 each	1,433,327	1,433,327	-	-
Series B2 Shares of GBP 1 each	1,516,944	1,516,944	-	-
	12,303,237	12,303,237	1	1

Reconciliation of number of shares at the beginning and at the end of the reporting period

Particulars	For the period from 6 December 2021 to 31 December 2021			
	Balance at the beginning of the period	Issued during the period	Buyback during the period	Balance at the end of the period
Series A1 Shares	-	-	-	-
Series A2 Shares	-	-	-	-
Ordinary A Shares	-	-	-	-
Ordinary B Shares	-	-	-	-
Ordinary shares	-	1	-	1
Series B1 Shares	-	-	-	-
Series B2 Shares	-	-	-	-
	-	1	-	1

Particulars	For the year ended 31 December 2022			
	Balance at the beginning of the year	Issued during the year	Buyback during the year	Balance at the end of the year
Series A1 Shares (Refer Note (a))	-	7,868,846	-	7,868,846
Series A2 Shares (Refer Note (a))	-	171,030	-	171,030
Ordinary A Shares (Refer Note (a) and (b))	-	1,178,903	-	1,178,903
Ordinary B Shares (Refer Note (a))	-	134,187	-	134,187
Ordinary shares (Refer Note (c))	1	-	1	-
Series B1 Shares (Refer Note (d))	-	1,433,327	-	1,433,327
Series B2 Shares (Refer Note (e))	-	1,516,944	-	1,516,944
	1	12,303,237	1	12,303,237

Terms and rights of shares

Equity shares

This represents the equity shares held by the Company. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Share premium

During the year, an amount of GBP 41,782,069 has been collected as share premium with respect to issue of equity shares. Refer below notes for details.

7 Equity (Continued)

Preference shares

The shareholders shall carry a right on the profits and voting rights of the company in proportion to the shares held by them. Existing shareholders shall have pre-emption rights on any issue of shares in proportion to the number of shares already held by them; that right shall be exercised in the manner and within the period specified by the General Meeting that adopts the resolution to issue the shares. The shareholders may transfer their shareholding by notifying the management board of his intention to dispose of these shares. The Management shall in turn inform the other shareholders of this offer and the offer price shall be mutually agreed between the offeror and other shareholders by mutual consent.

On a distribution of assets on a liquidation or a return of capital (other than a conversion, redemption or purchase of Shares) the surplus assets of the Company remaining after payment of its liabilities shall be applied (to the extent that the Company is lawfully permitted to do so):

- first, in paying to each of the Series B1 and B2 Shareholders, in priority to any other classes of Shares;
- second, in paying to each of the Series A1 and A2 Shareholders, in priority to any other classes of Shares, other than Series B1 and B2 shares;
- thereafter, the balance of the surplus assets (if any) shall be distributed among the holders of Ordinary Shares, Ordinary A Shares and Ordinary B Shares pro rata to the number of Ordinary Shares, Ordinary A Shares and Ordinary B Shares held by such holders.

Preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval of the Company's shareholders.

Notes:

(a) As part of group restructuring process and share exchange agreement dated 24 June 2022, the shareholders of the Terra Payment Services (Netherlands) B.V. (a Company domiciled in Netherlands) transferred the entire issued share capital and share rights in Terra Payment Services (Netherlands) B.V. to TerraPay Holdings Limited in exchange of 7,868,846 Series A1 shares, 171,030 Series A2 shares, 134,187 Ordinary B shares and 843,435 Ordinary A shares of GBP 1 each along with a share premium of GBP 1,515,457. Accordingly, the Terra Payment Services (Netherlands) B.V. is a wholly owned subsidiary of TerraPay Holdings Limited from 24 June 2022.

(b) During the year, the Company issued 335,468 Ordinary A Shares at GBP 1 each along with share premium of GBP 395,751.

(c) During the year, pursuant to necessary approval by the Board of Directors and buy back agreement, the Company has purchased 1 Ordinary Share for a consideration of GBP 1 which is its nominal value.

(d) During the year, the Company issued 1,433,327 Series B1 Shares at GBP 1 each along with share premium of GBP 22,606,676.

(e) As part of share exchange agreement dated 24 June 2022, Terra Payment Services (Netherlands) B.V. also transferred unsecured convertible loan notes amounting to USD 20,000,000 to TerraPay Holdings Limited along with interest. On 31 October 2022, the Company has issued 1,516,944 Series B2 Shares of GBP 1 each along with share premium of USD 19,965,774 on conversion of these convertible loan notes.

(f) As approved by the board of directors, the Company decided to issue 335,467 Ordinary A Shares to promoters at a value of USD 2.64 per share. As on 31 December 2022, only GBP 82,550 (USD 99,910) is received by the Company and the balance is outstanding.

8 Trade and other payables

Dues to creditors and accrued expenses

	As at 31 December 2022	As at 31 December 2021
	123,901	-
	123,901	-

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

	For the year ended 31 December 2022	For the period from 6 December 2021 to 31 December 2021
9 Revenue from operations		
Income from support services	3,268	-
Total revenue	3,268	-
Revenue from contract with customers		
a) Timing of revenue recognition		
Services transferred at a point in time	3,268	-
Services transferred over time	-	-
Total	3,268	-
b) The following table provides information about Contract assets and liabilities from contract with customers		
Particulars	As at 31 December 2022	As at 31 December 2021
Receivables, which are included in trade and other receivables	3,268	-
Contract liabilities	-	-
Contract assets	-	-
10 Other income		
Interest income	839,742	-
	839,742	-
11 Finance cost		
Interest on convertible loan notes	362,397	-
	362,397	-
12 Other expenses		
Advertising and sales	3,054	-
Consultancy charges	44,248	-
Foreign exchange loss (net)	485,475	-
Insurance	2,704	-
Legal and professional	125,172	-
Miscellaneous expenses	2,220	-
	662,873	-
13 Income taxes		
Current tax expenses	71,419	-
	71,419	-
Reconciliation of effective tax rate		
(Loss) for the year after taxation	(407,877)	-
Total tax expense	71,419	-
(Loss) for the year before taxation	(336,458)	-
Tax using the UK corporation rate of 19%	(63,928)	-
Expenses not deductible for tax purposes	121,676	-
Others	13,671	-
Total tax expense included in profit or loss statement	71,419	-
	As at 31 December 2022	As at 31 December 2021
Current tax liabilities	71,419	-
	71,419	-

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

14 Related parties

List of related parties

(a) Subsidiaries

Name of subsidiaries	Country	% of holding and voting power either directly or indirectly through subsidiary	
		As at 31 December 2022	As at 31 December 2021
Terra Payment Services (Netherlands) B.V.	Netherlands	100%	NA
Terra Payment Services (Malaysia) Sdn Bhd*	Malaysia	100%	-
Terra Payment Services (Denmark) ApS**	Denmark	100%	-

(b) Step down subsidiaries

Name of subsidiaries	Country	% of holding and voting power either directly or indirectly through subsidiary	
		As at 31 December 2022	As at 31 December 2021
Terra Payment Services South Africa (Rf) (Pty) Limited	South Africa	100%	NA
Mobex Money Transfer Services Limited	Kenya	100%	NA
Terra Payment Services (UK) Limited	UK	100%	NA
Terra Payment Services (Uganda) Limited	Uganda	100%	NA
Terra Payment Services (Tanzania) Limited	Tanzania	100%	NA
Terra Payment Services S.A.R.L. (DRC)	DRC	100%	NA
Terra Payment Services (Congo B)	Congo B	100%	NA
Terra Payment Services (Mauritius)	Mauritius	100%	NA
Terrapay Solutions India Private Limited	India	100%	NA
Terra Payment Services (Canada) Limited	Canada	100%	NA
Terra Payment Services (Singapore) Pte. Limited	Singapore	100%	NA
Terra Payment Services USA LLC	USA	100%	NA
Terra Payment Services S.A.R.L. (Senegal)***	Senegal	-	NA
Terra Payment Services Botswana (Pty) Limited****	Botswana	-	NA
Terra Payment Services (Lithuania) UAB*****	Lithuania	-	NA

The activities of the group companies primarily consist of providing technology services that offers money transfer and payment services to banks, mobile wallets, money transfer operators, merchants and financial institutions.

*Terra Payment Services (Malaysia) Sdn Bhd was incorporated on 02 August 2022 after completion of all the necessary formalities in compliance with local legislation.

**Terra Payment Services (Denmark) ApS was incorporated on 05 August 2022 after completion of all the necessary formalities in compliance with local legislation.

***Terra Payment Services (SARL) (Senegal) was liquidated effective from 07 January 2022 after completion of all the necessary formalities in compliance with local legislation.

****Terra Payment Services Botswana Proprietary Limited was liquidated effective from 12 January 2022 after completion of all the necessary formalities in compliance with local legislation.

*****Terra Payment Services (Lithuania) UAB was liquidated effective from 28 December 2022 after completion of all the necessary formalities in compliance with local legislation.

(c) Key Managerial Personnel (KMP)

Board of Directors

1. Ambar Sur*
2. Aniruddha Krishnaji Sane *
3. Mohd Saif Abbasi*
4. Petrus Bartholomeus Ludovicus Maria Welten **
5. Cyril Collon**
6. Rostan Hernani Schwab **
7. Arif Hussain**
8. Ronaldus Antonius Josef Vollebregt **

* Appointed on 6 December 2021 and resigned on 24 August 2022.

** Appointed on 1 July 2022.

TerraPay Holdings Limited
Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in GBP)

14 Related parties (Continued)

(c) Key Managerial Personnel (KMP) (Continued)

Transactions with key management personnel :

	Transactions		Outstanding balance	
	For the year ended	For the period from	As at	As at
	31 December 2022	6 December 2021 to 31 December 2021	31 December 2022	31 December 2021
Equity shares issued as part of share exchange	619,724	-	619,724	-
Compulsorily convertible loan (CCN) issued as part of share exchange	432,884	-	-	-
Interest accrued on CCN loan received	8,636	-	-	-
Equity share issued (Series B)	303,690	-	303,690	-
Buyback of equity shares	1	-	-	-
Equity shares issued (against CCN)	469,359	-	469,359	-

The details of the transactions entered into by the Company with subsidiaries for the year ended 31 December 2022 and the period ended 31 December 2021 are as follows;

	For the year ended 31 December 2022	For the period from 6 December 2021 to 31 December 2021
<u>Income from inter-company support services</u>		
Terra Payment Services (Netherlands) B.V.	3,268	-
	3,268	-
<u>Interest income</u>		
Terra Payment Services (Canada) Limited	5,505	-
Terra Payment Services (Mauritius)	152,991	-
Terra Payment Services (Netherlands) B.V.	527,949	-
Terra Payment Services (UK) Limited	153,297	-
	839,742	-

The details of amounts due to or due from related parties as at 31 December 2022 and 31 December 2021 are as follows:

	As at 31 December 2022	As at 31 December 2021
<u>Investments</u>		
Terra Payment Services (Denmark) ApS	5,713	-
Terra Payment Services (Netherlands) B.V.	10,532,676	-
Terra Payment Services (Malaysia) Sdn. Bhd.	*	-
	10,538,389	-
<u>Trade and other receivables</u>		
Terra Payment Services (Canada) Limited	5,505	-
Terra Payment Services (Mauritius)	152,991	-
Terra Payment Services (Netherlands) B.V.	18,124,468	-
Terra Payment Services (UK) Limited	400,669	-
	18,683,633	-
<u>Working capital loans receivables</u>		
Terra Payment Services (Netherlands) B.V.	413,121	-
Terra Payment Services (UK) Limited	22,295,934	-
	22,709,055	-

*Amount is below the rounding off norms adopted by the Company

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

14 Related parties (Continued)

Entities having significant influence/Shareholders:

	Transaction during the year		Outstanding balance	
	For the year ended 31 December 2022	For the year ended 31 December 2021	As at 31 December 2022	As at 31 December 2021
Equity shares issued as part of share exchange				
International Finance Corporation	1,830,368	-	1,830,368	-
Prime V Holding 2 B.V.	4,403,080	-	4,403,080	-
Partech Africa SLP	1,601,120	-	1,601,120	-
Compulsorily convertible loan (CCN) issued as part of share exchange:				
International Finance Corporation	3,944,205	-	-	-
Prime V Holding 2 B.V.	9,488,065	-	-	-
Partech Africa SLP	3,450,206	-	-	-
Interest accrued on CCN loan received :				
International Finance Corporation	78,691	-	-	-
Prime V Holding 2 B.V.	194,075	-	-	-
Partech Africa SLP	70,573	-	-	-
Equity share issued (Series B) :				
International Finance Corporation	8,886,240	-	8,886,240	-
Prime V Holding 2 B.V.	14,786,319	-	14,786,319	-
Equity shares issued (against CCN)				
International Finance Corporation	4,276,540	-	4,276,540	-
Prime V Holding 2 B.V.	10,292,483	-	10,292,483	-
Partech Africa SLP	3,742,714	-	3,742,714	-
Transactions with relative of key management personnel :				
Issue of equity shares as part of Series B:	63,755	-	63,755	-
Equity shares issued as part of share exchange	429,019	-	429,019	-

TerraPay Holdings Limited**Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)****(All amounts are in GBP)****15 Financial Instruments - fair values and risk management**

The Company's management provides services to the business, monitors and manages the financial risks relating to the operations of the Company, analyses exposures by degree and magnitude of risks.

The Company has exposure to the following risks from their use of financial instruments:

- a) Credit risk;
- b) Liquidity risk;
- c) Market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management reviews financial risk on periodical basis and takes the appropriate measures to mitigate such risk, where necessary.

a) Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company monitors changes in credit risk by observing the default and loss experience of the counterparties as well as assessing the country risk based on the jurisdiction where the financial assets are based. The Company uses the probability of default/loss given default approach to calculate any expected credit losses on financial assets.

The Company's exposure to credit risk arises in respect of the following financial instruments:

	As at 31 December 2022	As at 31 December 2021
Cash and cash equivalents	67,726	-
Trade and other receivables	41,414,832	1
Total	41,482,558	1

Cash and cash equivalents

The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. ECL allowance is not material and therefore not recognized.

The Company held cash and cash equivalents of GBP 67,726 as at 31 December 2022. The cash and cash equivalents includes cash and deposits held with banks and balances in client fund accounts. The Company considers its cash and cash equivalents to have low credit risks by dealing with creditworthy institutions.

Trade and other receivables

Trade and Other receivables consist mainly of amount receivable from related party and these are similar and very short term in nature. Similar approach for loan receivable from related party has been applied as ECL approach for other receivable. The amount of ECL allowance on related party is not material and therefore, not recognized.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors who also monitors the Company's short, medium and long-term funding and liquidity management requirements. The Company manages its liquidity risk by ensuring the recovery of all receivables within the agreed time frame.

TerraPay Holdings Limited
Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)
(All amounts are in GBP)

15 Financial Instruments - fair values and risk management (continued)

b) Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

2022	Total Carrying amount	Contractual cash flow		Total	
		Repayable on demand	Within one year		After one year
Trade and other payables	123,901	111,836	12,065	-	123,901
	123,901	111,836	12,065	-	123,901

2021	Total Carrying amount	Contractual cash flow		Total	
		Repayable on demand	Within one year		After one year
Trade and other payables	-	-	-	-	-
	-	-	-	-	-

c) Market risk

Market risk is the risk that the value of an investment will decrease due to movement in market factors like foreign exchange rates, interest rates, etc. Since the Company doesn't have any external investment, Company's exposure to market risk is on the lower side.

(i) Currency risk

The Company is exposed to currency risk on income and cost of expenses that are denominated in foreign currency. The functional currencies of Company is primarily USD.

The Company monitors the currency rate variances on monthly basis. On balance sheet date, Company considers that currency risk is within acceptable limits. The Company's net exposure to currency risk is not managed through trading of speculative instruments.

Exposure to currency risk*

The summary of quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows - all amounts are in GBP:

	As at 31 December 2022			Net Exposure
	Cash and cash equivalents	Trade and other receivables	Trade and other payables	
USD	67,279	41,392,689	(32,488)	41,427,480
EUR	-	22,143	(99)	22,044

Trade and other receivables excludes prepayments of GBP5,386

The following significant exchange rates have been applied during the year:

Currency	Year End Rate	Average Rate
	As at 31 December 2022	As at 31 December 2022
EUR	0.88708	0.85276
USD	0.82624	0.80823

As at 31 December 2022	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
EUR (5% movement)	1,102	(1,102)	1,102	(1,102)
USD (5% movement)	2,071,374	(2,071,374)	2,071,374	(2,071,374)

*The Company does not have any balances denominated in foreign currency as on 31 December 2021, and therefore there is no exposure to currency risk for the previous period.

TerraPay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

15 Financial Instruments - fair values and risk management (continued)

Measurement of fair values

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2

Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3

Inputs for the assets or liabilities that are not based on observable market data (observable data).

Accounting classifications and fair values

A table showing the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy has been added at the end of this note. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

As at 31 December 2022	Carrying amount			Fair value				
	Financial assets at amortised cost	FVTPL	Financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and cash equivalents	67,726	-	-	67,726	-	-	-	-
Trade and other receivables	41,715,853	-	-	41,715,853	-	-	-	-
	41,783,579	-	-	41,783,579				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(123,901)	(123,901)	-	-	-	-
	-	-	(123,901)	(123,901)	-	-	-	-
As at 31 December 2021								
	Carrying amount			Fair value				
	Financial assets at amortised cost	FVTPL	Financial liabilities at amortised cost	Total carrying value	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Trade and other receivables	1	-	-	1	-	-	-	-
	1	-	-	1				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

16 Capital management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio. For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and other equity.

	As at 31 December 2022	As at 31 December 2021
Total equity attributable to the equity shareholders of the Company (A)	52,062,551	1
Total liabilities	195,320	-
Less: cash and cash equivalents	67,726	-
Net debt (B)	127,594	-
Net debt to total equity ratio (B/A)	0.0025	-

Terrapay Holdings Limited

Notes to the Company only financial statements for the year ended 31 December 2022 (Continued)

(All amounts are in GBP)

17 Share based payments arrangements

A) Description of share based payment arrangements

At 31 December 2022, the Company had the following equity settled share based payment arrangement.

During the year, the Company instituted Employee Stock Option Plans (ESOP) to grant equity based incentives to eligible employees of the Group. The key terms and conditions related to the grants under these programmes are as follows;

Grant date	Number of Instruments	Vesting conditions	Contractual life of options
30 June 2022	271,758	50% of the option rights are already vested as on 31 December 2022, 25% to be vested on 2 March 2023 and the balance 25% to be vested on 2 March 2024.	10 years

B) Measurement of fair values

The fair value of the employee share options has been measured using Block Scholes Model. The inputs used in the measurement of the fair values at grant date of the equity-settled-share-based payments plan are as follows;

Particulars	As at 31 December 2022	As at 31 December 2021
Fair value at grant date (USD)	0.90	-
Share price at grant date (USD)	1.34	-
Exercise price (USD)	1.77	-
Expected volatility (weighted average)	82.53%	-
Expected life (weighted average)	6.02 Years	-
Expected dividends	0%	-
Risk Free interest rate (based on government bonds)	2.89%	-

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the expected volatility on an evaluation of the historical volatility of the comparable companies share price.

C)Reconciliation of outstanding share price

Particulars	As at 31 December 2022		As at 31 December 2021	
	Number	Exercise Price	Number	Exercise Price
Outstanding as at 1 January	-	-	-	-
Forfeited during the year	-	-	-	-
Granted during the year	271,758	USD 1.77	-	-
Exercised during the year	-	-	-	-
Outstanding as at 1 January	271,758	USD 1.77	-	-
Exercisable at year end	135,879	USD 1.77	-	-

D)Expense recognised in profit and loss

Share based payments expense of GBP 154,198 has been recognised in the statement of company only profit or loss.

18 Subsequent events

Subsequent to 31 December 2022, Visa International Service Association invested in the Company for a total of amount of USD 4,999,990 in exchange for the allotment and issue to 261,903 Series B1 shares of GBP 1 each in the capital of the Company. Further, the Company has invested in a wholly owned subsidiary Terra Payment Services Italy S.r.l.

There have been no other significant events after the reporting date which needs disclosures in or amendments to the parent company financial statements for the year ended 31 December 2022.