

Paddle.com Market Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Company Registration No. 08172165 (England and Wales)

Paddle.Com Market Limited

Company Information

Directors	C B Owens	
	S C Chandler	
	C Thoma	
	L C Bowden	
	K A Griswold	
	P Campbell	(Appointed 28 April 2022)
	P Devine	(Appointed 28 April 2022)
	J Fitzgerald	(Appointed 28 April 2022)

Company number 08172165

Registered office Judd House
18-29 Mora Street
London
United Kingdom
EC1V 8BT

Auditor Moore Kingston Smith LLP
6th Floor
9 Appold Street
London
EC2A 2AP

Business address Judd House
18-29 Mora Street
London
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EC1V 8BT

Paddle.Com Market Limited

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Paddle.com Market Limited

Strategic Report

For the year ended 31 December 2021

The Directors present the strategic report for Paddle.com Market Ltd ("Paddle" or "the Company") for the year ended 31 December 2021.

The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021.

Section 172 requires a director to have regard, amongst other matters to the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

In discharging its section 172 duties, the Directors have had regard to the factors set out above; the relative importance of each factor will vary depending on the decision being taken. In addition, the Directors recognise that certain decisions will require them to consider additional factors, as appropriate. The Company's key stakeholders are its ultimate parent undertaking, employees, suppliers, customers, regulators and community as a whole; the interests of these stakeholders are considered as part of the Directors decision making, as appropriate.

The Directors consider and discuss information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of its key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Directors through reports sent in advance of each meeting and through in-person presentations. As a result, the Directors have an overview of engagement with stakeholders and other relevant factors, which enables the Directors to comply with their legal duty under Section 172(1).

The following items are material developments, activities or transactions for the Company during the financial year:

Review of Business, Operations, Financial Results and Key Performance Indicators

Paddle operates an e-commerce platform for software businesses. As reseller and Merchant of Record, Paddle is able to handle the full commerce stack for its customers, including international payments in multiple currencies, sales tax compliance globally, first line customer support and billing management.

Paddle's customers are all software businesses mainly selling Software-as-a-Service ("SaaS") or Desktop Applications to businesses and consumers.

Customers range from small independent developers to medium sized enterprises selling tens of millions of dollars of software annually. Paddle is a truly global business with UK customers accounting for 7% of Revenue. Paddle's go to market strategy in 2021 was primarily driven by outbound sales activities with marketing efforts aimed at sales enablement

During 2021, growth continued to be strong with a 52% increase in Revenue and 55% increase in Gross Profit. Ultimately business performance continued to be strong due to the resilient nature of the software market.

Paddle.com Market Limited

Strategic Report (Continued)

For the year ended 31 December 2021

Paddle's mission is to become the leading platform for software businesses to run and grow their businesses. A continued focus for 2021 was around targeting B2B SaaS businesses. The software market is gradually moving away from perpetual-licensed software to SaaS. SaaS applications tend to be cloud hosted and have a monthly or annual subscription billing cycle. As long as a customer pays for the service they always have the most up to date version of the software. B2B SaaS is a multi-billion dollar market and is growing at around 17.5% year on year.

Product development in 2021 was focused around improving Paddle's offering for SaaS businesses and also continuing to evolve our Checkout product. Work on SaaS was primarily around improving Billing and Subscription Management for upmarket. Work on Checkout included adding multiple new payment currencies, wallet payments, localisation of payment options and diversification of our payments stack by adding more payment processor partners. Increased focus on payment options and localisation especially for US and EU through our Portuguese branch.

Paddle's strategy continues to be to focus on B2B SaaS as the leading Revenue Delivery Platform globally. Future product development is focused on serving those customers with a key focus on Subscription and Billing management, Invoicing software as well as continuing to improve our underlying payment processing relationships to offer as many localised payment methods as possible.

Key Performance Indicators

Revenue from operations was up 52% to £26.5m. The group's net assets decreased from £19.9m to £8.4m.

EBITDA Loss increased to £13.5m this year from £6.8m for the period ended 31 December 2020.

	2021	2020
Operating loss	(13,770,587)	(7,031,735)
Depreciation	198,746	143,940
Amortisation	27,296	19,068
EBITDA	(13,544,545)	(6,868,727)

Principal risks and uncertainties

The directors assess the risks and uncertainties facing the business on a regular basis with the principal risks identified as follows:

Competitive landscape

Paddle is the first Merchant of Record to focus on B2B SaaS in a meaningful way, however other Merchants of Record have started to focus resources on the segment and / or started to acquire capability. Paddle's offering is an all in one platform, much of the market currently takes a modular approach to commerce, future growth will depend on persuading more customers to sign up to a Revenue Delivery Platform. During 2021 Paddle has focused on going upmarket, which will be the continued focus for 2022 as well.

Security and privacy

Paddle is a cloud platform so is potentially vulnerable to cyber attacks. Paddle also handles customer data, including some payment data. A data breach could be very damaging to Paddle's prospects. The Company has mitigated against this by becoming SOC2 compliant and has recently hired a Chief Information Security Officer. Paddle is also PCI and GDPR compliant and has Cyber Insurance cover.

Paddle.com Market Limited

Strategic Report (Continued)

For the year ended 31 December 2021

Financial Crime and Fraud

Financial Crime risk (including fraud risk) arises in two distinct ways. First, there is the risk that the software businesses that use Paddle operate fraudulent business models or conduct/facilitate financial crime such as money laundering. This risk is controlled through stringent customer onboarding checks (KYC, AML and Sanctions checks) as well as ongoing monitoring of customer's activities and websites. Second is payment fraud perpetrated on our customers. This risk is controlled through real time and post-event transaction monitoring.

Regulatory and tax

The global sales tax environment is moving very quickly with more and more jurisdictions starting to tax the sale of non-domestic digital products. Paddle is compliant with a large number of jurisdictions, but could be exposed to tax liabilities in the future. Regulatory changes or changes by the Card Schemes could lead to a requirement to be regulated in the future.

Talent

Paddle operates in a very competitive talent market mainly in the UK and the United States. People are the lifeblood of Paddle and significant employee attrition would be damaging to the business and its ability to innovate. Paddle has moved to a remote-first working environment, to leverage the global talent pool.

Cash

Paddle is a high growth loss-making business and will therefore need to raise capital periodically until reaching cash flow breakeven. Paddle is closing 2021 with plans to do a Series D for \$200M and the acquisition of ProfitWell starting in Q1 2022.

On behalf of the board

Christian Bailey Owens

Director

31 December 2022

Paddle.Com Market Limited

Directors' Report

For the year ended 31 December 2021

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

Principal activities

The principal activity of the company and group continued to be that of operating an e-commerce platform.

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid (2020: Nil). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

H G S Grimston	(Resigned 28 April 2022)
C B Owens	
C Chrysanthou	(Resigned 28 April 2022)
S C Chandler	
C Thoma	
L C Bowden	
K A Griswold	
P Campbell	(Appointed 28 April 2022)
P Devine	(Appointed 28 April 2022)
J Fitzgerald	(Appointed 28 April 2022)

Future developments

Currently trade is operating as normal and no changes are anticipated. The Group has adapted well to hybrid working practices.

The Group was loss making for the year ended 31 December 2021 and is in a net current asset position of £8.4m (2020 - £19.9m). The Directors have reviewed the Group's forecasts for a period of at least 12 months from the date that these financial statements were approved. These forecasts, including stress tests, reflect ongoing losses and a reliance upon cash resources to fund working capital requirements. The Company has sufficient cash flow funding to continue to be able to settle its liabilities as they fall due, alongside providing support to subsidiaries as required. As such, the directors are satisfied it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Auditor

In accordance with the company's articles, a resolution proposing that Moore Kingston Smith LLP be reappointed as auditor of the group will be put at a General Meeting.

Energy and carbon report

As the group has consumed more than 40,000 kWh of energy in this reporting period, it does not qualify as a low energy user under these regulations and is therefore required to report on its emissions, energy consumption or energy efficiency activities.

	2021
	kWh
Energy consumption	
Aggregate of energy consumption in the year	217,973

Paddle.Com Market Limited

Directors' Report (Continued)

For the year ended 31 December 2021

	2021 metric tonnes
<i>Emissions of CO2 equivalent</i>	
Scope 2 - indirect emissions	
- Electricity purchased	67.35
	<hr/>
Total gross emissions	67.35
	<hr/> <hr/>
<i>Intensity ratio</i>	
kg per head per day	56.21
	<hr/> <hr/>

Quantification and reporting methodology

The group has followed the 2019 HM Government Environmental Reporting Guidelines. The group has also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee, the recommended ratio for the sector.

Measures taken to improve energy efficiency

Paddle.com Market Limited and its subsidiary companies are committed to implementing environmental best practice into its day-to-day activities and have already taken the following energy efficiency actions:

- (1) Water leak detections throughout the office to ensure water can be automatically stopped if leak is detected - no waste
- (2) LED lights throughout the office with motion detectors to ensure the lights are turned on only when needed
- (3) Equipment is set to work on Mon-Fri schedule to save on energy, with an option to manually override when needed.
- (4) Using a waste collection company who pledges zero-to-landfill waste collections (the Firstmile <https://thefirstmile.co.uk/company>)
- (5) Adjusting BMS system on regular basis in accordance with weather conditions changes and office attendance
- (6) Roof level solar panels
- (7) Paddle is fully remote company with reduced domestic and international travel
- (8) A Judd House landlord is working on getting their green building certification, Paddle Office Management team is working with Verte Ltd to ensure that Paddle are cutting the energy usage where possible (**)

(**) specialists in Whole Life Carbon Analysis, Low Carbon Design, BREEAM, WELL, Fitwel, as well as NABERS and Passivhaus <https://www.verteltd.com/>

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Paddle.Com Market Limited

Directors' Report (Continued)

For the year ended 31 December 2021

On behalf of the board

Christian Bailey Owens
Director

31 December 2022

Paddle.com Market Limited

Directors' Responsibilities Statement

For the year ended 31 December 2021

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Paddle.Com Market Limited

Independent Auditor's Report

To the Members of Paddle.Com Market Limited

Opinion

We have audited the financial statements of Paddle.com Market Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Paddle.Com Market Limited

Independent Auditor's Report (Continued)

To the Members of Paddle.Com Market Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Paddle.Com Market Limited

Independent Auditor's Report (Continued)

To the Members of Paddle.Com Market Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

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

Rebecca Shields (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

31 December 2022

Chartered Accountants
Statutory Auditor

6th Floor
9 Appold Street
London
EC2A 2AP

Paddle.com Market Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	379,985,134	243,733,498
Turnover Share		(353,498,874)	(226,323,606)
Revenue		26,486,260	17,409,892
Cost of sales		(12,793,071)	(8,578,372)
Gross profit		13,693,189	8,831,520
Administrative expenses		(27,271,689)	(15,845,197)
Other operating (expenses)/income	3	(28,254)	113,010
Operating loss	4	(13,606,754)	(6,900,667)
Finance costs	8	(616,690)	(517,313)
Other gains and losses		-	3,077
Loss before taxation		(14,223,444)	(7,414,903)
Tax on loss	9	452,857	383,168
Loss for the financial year		(13,770,587)	(7,031,735)
Other comprehensive income			
Currency translation differences		(162,916)	61,691
Total comprehensive income for the year		(13,933,503)	(6,970,044)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Paddle.Com Market Limited

Group Statement Of Financial Position

As at 31 December 2021

	Notes	2021		2020	
		£	£	£	£
Non-current assets					
Intangible assets	10		3,872		31,168
Property, plant and equipment	11		1,085,966		125,317
			<u>1,089,838</u>		<u>156,485</u>
Current assets					
Trade and other receivables	15	4,453,609		4,286,413	
Cash and cash equivalents		46,079,601		47,913,135	
		<u>50,533,210</u>		<u>52,199,548</u>	
Current liabilities					
	16	(43,200,610)		(30,488,603)	
Net current assets					
			<u>7,332,600</u>		<u>21,710,945</u>
Total assets less current liabilities					
			<u>8,422,438</u>		<u>21,867,430</u>
Non-current liabilities					
	17		-		(1,919,048)
Net assets					
			<u>8,422,438</u>		<u>19,948,382</u>
Equity					
Called up share capital	21		5,397		5,251
Share premium account			48,525,539		48,310,098
Other reserves			(57,262)		105,654
Retained earnings			(40,051,236)		(28,472,621)
Total equity					
			<u>8,422,438</u>		<u>19,948,382</u>

The financial statements were approved by the board of directors and authorised for issue on 31 December 2022 and are signed on its behalf by:

C B Owens
Director

Paddle.Com Market Limited

Company Statement Of Financial Position

As at 31 December 2021

		2021		2020	
	Notes	£	£	£	£
Non-current assets					
Intangible assets	10		3,872		31,168
Property, plant and equipment	11		1,083,831		120,972
Investments	12		107		107
			<u>1,087,810</u>		<u>152,247</u>
Current assets					
Trade and other receivables	15	3,850,438		5,438,916	
Cash and cash equivalents		43,392,418		45,950,424	
		<u>47,242,856</u>		<u>51,389,340</u>	
Current liabilities					
	16	(34,683,862)		(29,613,862)	
Net current assets					
			<u>12,558,994</u>		<u>21,775,478</u>
Total assets less current liabilities					
			<u>13,646,804</u>		<u>21,927,725</u>
Non-current liabilities					
	17		-		(1,919,048)
Net assets					
			<u>13,646,804</u>		<u>20,008,677</u>
Equity					
Called up share capital	21		5,397		5,251
Share premium account			48,525,539		48,310,098
Retained earnings			(34,884,132)		(28,306,672)
Total equity					
			<u>13,646,804</u>		<u>20,008,677</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £8,769,308 (2020 - £6,802,927 loss).

The financial statements were approved by the board of directors and authorised for issue on 31 December 2022 and are signed on its behalf by:

C B Owens
Director

Company Registration No. 08172165

Paddle.Com Market Limited

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2020		4,116	25,274,670	43,963	(21,638,996)	3,683,753
Period ended 31 December 2020:						
Loss for the period		-	-	-	(7,031,735)	(7,031,735)
Other comprehensive income:						
Currency translation differences		-	-	-	61,691	61,691
Total comprehensive income for the period		-	-	-	(6,970,044)	(6,970,044)
Issue of share capital	21	1,135	23,035,428	-	-	23,036,563
Credit to equity for equity settled share-based payments	20	-	-	-	136,419	136,419
Transfers		-	-	61,691	-	61,691
Balance at 31 December 2020		5,251	48,310,098	105,654	(28,472,621)	19,948,382
Year ended 31 December 2021:						
Loss and total comprehensive income for the year		-	-	-	(13,770,587)	(13,770,587)
Issue of share capital	21	146	215,441	-	-	215,587
Credit to equity for equity settled share-based payments	20	-	-	-	2,191,972	2,191,972
Transfers		-	-	(162,916)	-	(162,916)
Balance at 31 December 2021		5,397	48,525,539	(57,262)	(40,051,236)	8,422,438
Difference - opening bal of PY less adjusted closing bal of PPY		-	-	-	61,691	

Paddle.Com Market Limited

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 1 January 2020		4,116	25,274,670	(21,640,164)	3,638,622
Period ended 31 December 2020:					
Loss and total comprehensive income for the period		-	-	(6,802,927)	(6,802,927)
Issue of share capital	21	1,135	23,035,428	-	23,036,563
Credit to equity for equity settled share-based payments	20	-	-	136,419	136,419
Balance at 31 December 2020		5,251	48,310,098	(28,306,672)	20,008,677
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(8,769,308)	(8,769,308)
Issue of share capital	21	146	215,441	-	215,587
Credit to equity for equity settled share-based payments	20	-	-	2,191,848	2,191,848
Balance at 31 December 2021		5,397	48,525,539	(34,884,132)	13,646,804

Paddle.Com Market Limited

Group Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26	3,267,958		4,642,417	
Interest paid		(195,869)		(306,399)	
Income taxes refunded/(paid)		522,591		-	
Net cash inflow from operating activities		3,594,680		4,336,018	
Investing activities					
Purchase of property, plant and equipment		(1,162,998)		(64,708)	
Proceeds on disposal of property, plant and equipment		2,934		-	
Net cash used in investing activities		(1,160,064)		(64,708)	
Financing activities					
Proceeds from issue of shares		215,587		23,036,563	
Proceeds from borrowings		-		2,900,000	
Repayment of borrowings		(4,320,821)		-	
Net cash (used in)/generated from financing activities		(4,105,234)		25,936,563	
Net (decrease)/increase in cash and cash equivalents		(1,670,618)		30,207,873	
Cash and cash equivalents at beginning of year		47,913,135		17,643,571	
Effect of foreign exchange rates		(162,916)		61,691	
Cash and cash equivalents at end of year		46,079,601		47,913,135	

Paddle.com Market Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1 Accounting policies

Company information

Paddle.com Market Limited ("the company") is a private company limited by shares domiciled and incorporated in England and Wales. The registered office is Judd House, 18-29 Mora Street, London, EC1V 8BT.

The group consists of Paddle.com Market Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company Paddle.com Market Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

1.3 Going concern

The group is growing rapidly and as forecast it made a loss in the year to 31 December 2021. The group was able to maintain cash reserves of £46.1m, the cash was initially generated following a successful fund raise in 2020.

Based on the above, at the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Revenue

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties. Revenue is the margin that Paddle makes on its turnover plus any other charges for its services.

The group reports 'Turnover' for information purposes, which represents total gross sales through the platform, net of VAT and other sales taxes globally, and 'Turnover Share', which represents the amount due to software licensors.

Paddle has a license to resell software and on any given sale Paddle simultaneously buys software from the licensor and resells it to the end customer. The difference between the amount the software is bought and sold for represents Paddle's revenue. Paddle acts as a reseller in each transaction between the licensor and end customer, by enabling the transaction and undertaking a large number of other responsibilities.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

IP & trademark	20% straight line
Website development	20% straight line

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	depreciated over the life of the lease
Fixtures and fittings	33% straight line
Computer equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.19 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following estimates and judgements have had the most significant effect on amounts recognised in the financial statements:

- Determine whether there are indicators of impairment in the tangible and intangible assets of the Group considering future financial performance of the asset and cash flows.
- Determine the fair value of the share options and warrant option derivative taking into consideration the estimation of the value of the options in relation to the value of the company and comparable companies.
- Determine whether global activities undertaken by the Group give rise to sales tax liabilities in territories. These decisions depend on an assessment of the relevant taxation legislation and where an obligation has arisen this has been recognised on the balance sheet.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Sales tax provisions

Judgement and estimation are required in determining whether global activities undertaken by the group give rise to sales tax liabilities in territories. These decisions depend on an assessment of the relevant taxation legislation and where an obligation has arisen this has been recognised on the balance sheet.

Share-based payment transactions

Judgement and estimation are required in determining the fair value of shares at the date of award. The fair value is estimated using valuation techniques which take into account the awards' term, the risk-free interest rate and the expected volatility of the market price of the Company's shares. Details of share-based payments and the assumptions applied are disclosed in note 20.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

3 Turnover

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	25,345,008	18,021,684
Rest of Europe	94,654,297	74,060,063
Rest of the world	259,985,829	151,651,751
	<u>379,985,134</u>	<u>243,733,498</u>

The revenue is derived from provision of services and reselling of the digital content to the customers globally.

	2021	2020
	£	£
Other operating income		
Subscription income	-	-
Coronavirus Job Support Scheme	-	111,225
Other income	(28,254)	1,785
	<u>(28,254)</u>	<u>113,010</u>

4 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Exchange losses	2,327,744	414,760
Research and development costs	240,134	209,673
Depreciation of owned property, plant and equipment	198,746	143,940
Loss on disposal of property, plant and equipment	669	14,157
Amortisation of intangible assets	27,296	19,068
Share-based payments	2,191,972	136,419
Operating lease charges	769,980	1,495,934
	<u>769,980</u>	<u>1,495,934</u>

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	121,405	110,107
	<u>121,405</u>	<u>110,107</u>
For other services		
Taxation compliance services	22,000	20,000
	<u>22,000</u>	<u>20,000</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Directors	8	8	7	7
Employees	132	109	130	109
	<u>140</u>	<u>117</u>	<u>137</u>	<u>116</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	12,562,616	7,781,287	11,729,467	7,761,035
Social security costs	1,291,698	899,834	1,291,698	899,834
Pension costs	194,723	149,025	194,723	149,025
	<u>14,049,037</u>	<u>12,691,827</u>	<u>13,215,888</u>	<u>8,809,894</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	411,267	332,678
Company pension contributions to defined contribution schemes	9,600	8,303
	<u>420,867</u>	<u>340,981</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	220,908	170,947
Company pension contributions to defined contribution schemes	4,950	4,151
	<u>225,858</u>	<u>175,098</u>

There were 2 directors in the Group's defined contribution pension scheme (2020: 2). 2 directors exercised share options during the year (2020: 2).

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

8 Finance costs

	2021	2020
	£	£
Interest on bank overdrafts and loans	195,869	306,399
Finance costs for financial instruments measured at fair value through profit or loss	420,821	210,914
	<u>616,690</u>	<u>517,313</u>

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(452,857)	(383,168)
	<u>(452,857)</u>	<u>(383,168)</u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Loss before taxation	(14,223,444)	(7,414,903)
	<u>(14,223,444)</u>	<u>(7,414,903)</u>
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(2,702,454)	(1,408,832)
Tax effect of expenses that are not deductible in determining taxable profit	437,956	97,209
Permanent capital allowances in excess of depreciation	(174,917)	7,032
Other permanent differences	9,594	22,635
Share based payment charge	(723,845)	-
Additional deduction for R&D expenditure	(335,399)	(283,786)
Surrender of tax losses for R&D tax credit refund	140,541	118,914
Deferred tax not recognised	2,895,667	1,063,660
	<u>(452,857)</u>	<u>(383,168)</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

10 Intangible fixed assets

Group	IP & trademark £	Website £	Total £
Cost			
At 1 January 2021 and 31 December 2021	259,414	6,684	266,098
Amortisation and impairment			
At 1 January 2021	228,246	6,684	234,930
Amortisation charged for the year	27,296	-	27,296
At 31 December 2021	255,542	6,684	262,226
Carrying amount			
At 31 December 2021	3,872	-	3,872
At 31 December 2020	31,168	-	31,168
Company	IP & trademark £	Website £	Total £
Cost			
At 1 January 2021 and 31 December 2021	259,414	6,684	266,098
Amortisation and impairment			
At 1 January 2021	228,246	6,684	234,930
Amortisation charged for the year	27,296	-	27,296
At 31 December 2021	255,542	6,684	262,226
Carrying amount			
At 31 December 2021	3,872	-	3,872
At 31 December 2020	31,168	-	31,168

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

11 Property, plant and equipment

Group	Leasehold	Fixtures and	Computer	Total
	improvements	fittings	equipment	
	£	£	£	£
Cost				
At 1 January 2021	-	43,791	404,259	448,050
Additions	700,503	264,367	198,128	1,162,998
Disposals	-	-	(4,096)	(4,096)
At 31 December 2021	700,503	308,158	598,291	1,606,952
Depreciation and impairment				
At 1 January 2021	-	27,356	295,377	322,733
Depreciation charged in the year	31,119	62,107	105,520	198,746
Eliminated in respect of disposals	-	-	(493)	(493)
At 31 December 2021	31,119	89,463	400,404	520,986
Carrying amount				
At 31 December 2021	669,384	218,695	197,887	1,085,966
At 31 December 2020	-	16,435	108,882	125,317
Company				
	Leasehold	Fixtures and	Computer	Total
	improvements	fittings	equipment	
	£	£	£	£
Cost				
At 1 January 2021	-	42,737	398,839	441,576
Additions	700,503	264,367	198,128	1,162,998
Disposals	-	-	(4,096)	(4,096)
At 31 December 2021	700,503	307,104	592,871	1,600,478
Depreciation and impairment				
At 1 January 2021	-	27,025	293,579	320,604
Depreciation charged in the year	31,119	61,747	103,670	196,536
Eliminated in respect of disposals	-	-	(493)	(493)
At 31 December 2021	31,119	88,772	396,756	516,647
Carrying amount				
At 31 December 2021	669,384	218,332	196,115	1,083,831
At 31 December 2020	-	15,712	105,260	120,972

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

12 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	13	-	-	107	107

Movements in non-current investments Company

Cost or valuation

At 1 January 2021 and 31 December 2021

Shares in
subsidiaries
£

107

Carrying amount

At 31 December 2021

107

At 31 December 2020

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13 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Paddle Payments Limited	Ireland	Services and reselling of the digital content	Ordinary	100.00
Calq.io Limited	UK	Services and reselling of the digital content	Ordinary	100.00
Paddle.com Inc	USA	Services and reselling of the digital content	Ordinary	100.00

14 Financial instruments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	1,023,766	415,584	1,023,766	415,584

Other financial liabilities relates to derivative financial instruments measured at fair value through profit or loss. They are held as part of a trading portfolio which comprise warrant options to acquire shares in the parent company as part of the contract terms to a loan.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

15 Trade and other receivables

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade receivables	315,116	-	315,116	-
Corporation tax recoverable	835,839	905,573	835,839	905,573
Amounts owed by group undertakings	-	-	-	1,543,159
Other receivables	2,431,161	2,756,869	1,827,990	2,366,213
Prepayments and accrued income	871,493	623,971	871,493	623,971
	<u>4,453,609</u>	<u>4,286,413</u>	<u>3,850,438</u>	<u>5,438,916</u>

16 Current liabilities

	Notes	Group 2021	2020	Company 2021	2020
		£	£	£	£
Other borrowings	18	-	1,980,952	-	1,980,952
Trade payables		891,922	250,233	891,136	236,528
Amounts due to group undertakings		-	-	3,997,527	700,814
Other taxation and social security		9,440,518	6,068,659	8,265,402	5,642,041
Warrant derivative liability		1,023,766	415,584	1,023,766	415,584
Other payables		28,443,646	19,006,920	17,298,459	18,127,849
Accruals and deferred income		3,400,758	2,766,255	3,207,572	2,510,094
		<u>43,200,610</u>	<u>30,488,603</u>	<u>34,683,862</u>	<u>29,613,862</u>

The loan is secured by a charge over assets and revenues of the Company and Paddle Payments Limited.

Financial instruments relate to a warrant derivative liability which is secured against the Company bank accounts, investments in subsidiaries, international trademarks and intellectual property which total £3,872 (2020: £31,168) as at 31 December 2021.

During the prior year the Group borrowed additional funds from its bankers under a term loan totalling £2,900,000, the loan was repaid in September 2021.

17 Non-current liabilities

	Notes	Group 2021	2020	Company 2021	2020
		£	£	£	£
Other borrowings	18	-	1,919,048	-	1,919,048
		<u>-</u>	<u>1,919,048</u>	<u>-</u>	<u>1,919,048</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

18 Borrowings

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other loans	-	3,900,000	-	3,900,000
Payable within one year	-	1,980,952	-	1,980,952
Payable after one year	-	1,919,048	-	1,919,048

19 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	194,723	149,025

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £60,406 (2020: £35,181) were payable to the fund at the reporting date and are included in creditors.

20 Share-based payment transactions

The group operates an a EMI qualifying share option scheme and an unapproved share option scheme for its employees based in the UK and an ISO/NSO scheme for its US-based employees. As at the date of the Statement of Financial Position, the company had granted 39,787 options under all three schemes with exercise prices of £0.01, £1.42, £2.01 and £13.28.

Details of the number and weighted average exercise prices (WAEF) of share options during the period are as follows:

Group	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January 2021	39,787	43,732	5.84	6.54
Granted	28,114	14,421	2.82	4.27
Forfeited	(6,629)	(6,111)	4.70	5.04
Exercised	(15,305)	(12,206)	4.17	0.93
Expired	(123)	(49)	0.60	0.82
Outstanding at 31 December 2021	45,844	39,787	2.26	5.84

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

20 Share-based payment transactions

(Continued)

Group

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in a materially accurate estimate of the fair value of the options granted. The following information is relevant in the determination of the fair value of the portions granted:

Inputs were as follows:

	2021	2020
Weighted average share price	120.00	108.00
Weighted average exercise price	6.82	13.28
Expected volatility	100.00	100.00
Expected life	4.00	4.00
Risk free rate	3.25	0.84
Expected dividends yields	3.25	0.84

	Group 2021 £	2020 £	Company 2021 £	2020 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	2,191,972	136,419	1,594,858	1,255,835

21 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of 1p each	157,828	143,265	1,575	1,429
Ordinary A shares of 1p each	40,733	40,733	407	407
Ordinary A2 shares of 1p each	32,142	32,142	321	321
Ordinary A3 shares of 1p each	154,719	154,719	1,547	1,547
Ordinary A4 shares of 1p each	154,605	154,605	1,547	1,547
	540,027	525,464	5,397	5,251

During the year 146 Ordinary shares were issued as a result of an exercise of share options and a share premium of £215,441 was recognised.

All share classes are entitled to one vote in any circumstances and dividend payments or any other distribution. Each share is entitled to participate in a distribution arising from winding up of the company. In any liquidation event the A4 Ordinary shares shall be paid first in any asset distribution, followed by A3 Ordinary then A2 Ordinary shares, A Ordinary shares and then Ordinary shares. The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholders.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

22 Financial commitments, guarantees and contingent liabilities

The parent company entered into a lease for office space on 20 July 2021 and incurred fit out costs totaling £700,503. The lease states that at the end of the lease, following an inspection, the landlord can charge the company additional costs to remove any alterations and/or restore the property to its condition when let. The exact nature of these costs and timing is currently unknown and therefore no reliable estimate can be made and so no provision has been made in this regard.

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	457,500	390,600	457,500	390,600
Between two and five years	2,555,333	-	2,555,333	-
In over five years	3,811,664	-	3,811,664	-
	<u>6,834,037</u>	<u>390,600</u>	<u>6,834,037</u>	<u>390,600</u>

24 Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

Key management personnel include all directors across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group is disclosed in note 7.

25 Controlling party

The Directors do not consider there to be an ultimate controlling party by virtue of the various shareholdings in the parent company.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

26 Cash generated from group operations

	2021 £	2020 £
Loss for the year after tax	(13,770,587)	(7,031,735)
Adjustments for:		
Taxation credited	(452,857)	(383,168)
Finance costs	616,690	517,313
Loss on disposal of property, plant and equipment	669	14,157
Amortisation and impairment of intangible assets	27,296	19,068
Depreciation and impairment of property, plant and equipment	198,746	143,940
Equity settled share based payment expense	2,191,972	136,419
Decrease in provisions	-	(691,549)
Movements in working capital:		
Increase in trade and other receivables	(236,930)	(1,184,375)
Increase in trade and other payables	14,692,959	13,102,349
Cash generated from operations	<u>3,267,958</u>	<u>4,642,419</u>

27 Analysis of changes in net funds - group

	1 January 2021 £	Cash flows £	Market value movements £	31 December 2021 £
Cash at bank and in hand	47,913,135	(1,833,534)	-	46,079,601
Borrowings excluding overdrafts	(3,900,000)	4,320,821	(420,821)	-
	<u>44,013,135</u>	<u>2,487,287</u>	<u>(420,821)</u>	<u>46,079,601</u>

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