

## **Paddle.com Market Limited**

Annual Report and Financial Statements

period Ended

31 December 2019

Company Number 08172165



# Paddle.com Market Limited

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# Paddle.com Market Limited

## Company Information

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<b>Directors</b>	H G S Grimston C B Owens C Chrysanthou T S Rea S C Chandler L C Bowden C Thoma
<b>Registered number</b>	08172165
<b>Registered office</b>	15 Briery Close Great Oakley Corby Northamptonshire NN18 8JG
<b>Independent auditor</b>	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

# **Paddle.com Market Limited**

## **Group Strategic Report For the Period Ended 31 December 2019**

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The directors present their Strategic Report for Paddle.com Market Ltd ("Paddle" or "the Company") and its subsidiaries (the "group") for the 16 month period ended 31 December 2019.

### **Review of business, operations and financial results**

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 had 3,129 active customers at 31 December 2019, up from 1,780 on 1 September 2018. 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 under 10% of Revenue. Paddle's go to market strategy is focused on potential customers selling more than \$1m in software annually. In 2019 this was primarily driven by outbound sales activities with marketing efforts aimed at sales enablement.

During 2019, growth continued to be strong with a £6.9m increase in Revenue and 2% increase in Gross Margin. Noteworthy events during the period included the £6.5m fundraising led by 83north and the signing of a £4.5m venture debt facility with Silicon Valley Bank. The Company also opened an office in New York towards the end of the period via the newly formed subsidiary Paddle.com Inc.

New products launched in 2019 included a completely new checkout, a B2B Invoicing product for Enterprise customers, key integrations with other software vendors and a new Tax Service.

Paddle commenced the registration process for Sales Taxes with a number of US States in August 2019 and the main work on building the integration with the new Tax Service was completed in December 2019 when Paddle started collecting US Sales Taxes in all the States registered to date. On the back of it, accruals and provisions for backdated Sales Taxes have been calculated and reflected in the financial statements for the reporting period. The work around Tax Service was in reaction to the Supreme Court ruling in the South Dakota vs. Wayfair case in June 2018 which led to a number of US States declaring that Sales & Use Tax was due on distance sales where economic nexus thresholds were reached.

Since 31 December 2019 much has changed given the COVID-19 pandemic. Paddle swiftly moved to a remote only company and has remained that way since, although there are plans to move back into a physical office with remote friendly policies as soon as it is safe to do so. Given that Paddle's software architecture is built on cloud servers with cloud services, the move to fully remote was relatively seamless. A number of Paddle's existing customers were net beneficiaries of the working from home revolution caused by global lockdown, particularly software like VPNs, utility software and voice calling software. As such, Paddle was not adversely affected by COVID-19 which is reflected in the \$68m Series C fundraising, led by FTV Capital which was announced on 17 November 2020. This fundraising negates the need to raise new funding for at least two years, if not altogether.

Paddle's mission is to become the leading platform for software businesses to run and grow their businesses. A key focus for 2019 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 20% year on year.

Paddle's strategy continues to be focused 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.

## Paddle.com Market Limited

### Group Strategic Report (continued) For the Period Ended 31 December 2019

#### Key Operating metrics

Revenue from operations was up 260% to £11.2m. The group's net assets decreased from £5.8m to £3.7m.

EBITDA (defined below) as a % of the Group Turnover was down by 3% to £(16.0)m this period from £(4.9)m in 2018. EBITDA decline in the period was driven by the increase in the administrative expenses as Paddle continued to invest for growth.

	<b>2019</b>	<b>2018</b>
Operating loss	<b>£(16.2)m</b>	<b>£(5.2)m</b>
Depreciation	<b>£171K</b>	<b>£217K</b>
Amortisation	<b>£55K</b>	<b>£50K</b>
EBITDA - loss	<b>£(16.0)m</b>	<b>£(4.9)m</b>

#### 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 was one of the first Merchant of Record to focus on business-to business Software as a Service "B2B SaaS", however other Merchants of Record have started to focus resources on the segment. 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.

##### Security and privacy

Paddle is a cloud platform so is potentially vulnerable to cyber attacks. Paddle also handles customer data, including some payment data so compliance with the General Data Protection Regulation "GDPR" regulations is key. The Company is mitigating against this by going through a service organisation Control 2 "SOC2" compliance process, is GDPR compliant and has Cyber Insurance cover.

##### Fraud

The Company faces risk both in terms of onboarding new software businesses but also fraud and chargeback risk from sales to end customers. Paddle has a risk team which focuses on both onboarding ( Know your customer "KYC" and anti-money laundering "AML" checks) and card fraud (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 in London and New York. People are the lifeblood of Paddle and significant employee attrition would be damaging to the business and its ability to innovate. Employee engagement is one of the Key Performance Indicators of Paddle's People & Talent team. Initiatives to enhance engagement include regular manager training programs, compensation benchmarking to ensure alignment with the market and personal development plans for all employees.

## Paddle.com Market Limited

### Group Strategic Report (continued) For the Period Ended 31 December 2019

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#### Principal risks and uncertainties (continued)

##### Cash

Paddle is a high growth loss-making business and will therefore need to raise capital periodically until reaching cash flow breakeven. The recent FTV-led Series C fundraising pushes the need to fundraise back at least 2 years and possibly indefinitely.

##### Interest rate risk

The Group carries significant borrowings in the form of loans from third parties. Interest on these loans is fixed at 9.25%.

##### Foreign exchange risk

The Group is exposed to transaction foreign exchange risk as it operates globally. Financial instruments are not used to manage the effects of foreign exchange currency movements.

This report was signed on behalf of the Board on 2nd July 2021.

**H G S Grimston**  
Director

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*Hugo Grimston*  
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# **Paddle.com Market Limited**

## **Directors' Report For the Period Ended 31 December 2019**

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The directors present their report and the financial statements for the period ended 31 December 2019.

The accounting period has been extended by 4 months from 31 August 2019 to 31 December 2019. As a result the prior year figures in the financial statements and associated notes are not fully comparable.

### **Dividends**

The directors have not recommended the payment of dividends for the 16 month period ended 31 December 2019 (year ended 31 August 2018: £Nil).

### **Research and development**

Expenditure on research and development is written off in the period, in which it is incurred.

### **Going concern**

In considering going concern the Directors have initially assessed the existing and expected impact of the Covid-19 pandemic on the Group's activities and the appropriateness of the use of the going concern basis. Currently trade is operating as normal and no changes are anticipated. Most of the Group's employees have been asked to work from home and the job retention scheme has only been utilised to a limited extent.

The Group was loss making for the 16 month period and at the 31 December 2019 is in a net current asset position of £3.7m (2018 - £5.8m). 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 successfully completed a third round of funding in November 2020 worth \$68m and hence 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.

### **Directors**

The directors who served during the period were:

H G S Grimston  
C B Owens  
O Kosovan (resigned 10 September 2019)  
C Chrysanthou  
T S Rea  
S C Chandler  
L C Bowden (appointed 10 September 2019)  
C Thoma (appointed 10 September 2019)

### **Disclosure of information to auditor**

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

## Paddle.com Market Limited

### Directors' Report (continued) For the Period Ended 31 December 2019

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#### Post balance sheet events

The COVID-19 pandemic was declared on 12 March 2020 and is, therefore, after the date of the Balance Sheet. It, therefore, constitutes a new event that does not impact on the conditions existing at the Balance Sheet date. Further details of the director's consideration is set out in note 27.

This report was approved by the board on 2nd July 2021

and signed on its behalf.

**H G S Grimston**  
Director

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*Hugo Grimston*  
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## **Paddle.com Market Limited**

### **Directors' Responsibilities Statement For the Period Ended 31 December 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

## **Paddle.com Market Limited**

### **Independent Auditor's Report to the Members of Paddle.com Market Limited**

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#### **Opinion**

We have audited the financial statements of Paddle.com Market Limited ("the Parent Company") and its subsidiaries ("the Group") for the 16 month period ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Changes in Equity, the Consolidated Statement of Cash Flows and, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Paddle.com Market Limited**

### **Independent Auditor's Report to the Members of Paddle.com Market Limited (continued)**

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#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Directors' report.

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

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

## Paddle.com Market Limited

### Independent Auditor's Report to the Members of Paddle.com Market Limited (continued)

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#### Responsibilities of Directors

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

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

#### Use of our report

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

DocuSigned by:  
*Mark Hutton*  
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**Mark Hutton** (Senior Statutory Auditor)  
For and on behalf of **BDO LLP**, Statutory Auditor  
Guildford, UK

Date: 2 July 2021

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

## Paddle.com Market Limited

### Consolidated Statement of Comprehensive Income For the Period Ended 31 December 2019

		16 months ended 31 December 2019 £	12 months ended 31 August 2018 £
	Note		
Turnover		145,906,330	57,040,621
Turnover share		(134,986,255)	(52,974,792)
Revenue	4	10,920,075	4,065,829
Cost of sales		(5,647,145)	(2,260,988)
<b>Gross profit</b>		<b>5,272,930</b>	<b>1,804,841</b>
Administrative expenses		(21,602,309)	(7,240,574)
Other operating income	5	276,275	211,958
<b>Operating loss</b>	9	<b>(16,053,104)</b>	<b>(5,223,775)</b>
Interest payable and expenses	6	(207,918)	(47)
<b>Loss before taxation</b>		<b>(16,261,022)</b>	<b>(5,223,822)</b>
Tax on loss	11	523,710	428,029
<b>Loss for the financial period</b>		<b>(15,737,312)</b>	<b>(4,795,793)</b>
Exchange (loss) / gain on translation of foreign operations		(2,839)	38,753
<b>Other comprehensive income for the period</b>		<b>(2,839)</b>	<b>38,753</b>
<b>Total comprehensive loss for the period</b>		<b>(15,740,151)</b>	<b>(4,757,040)</b>
<b>Loss for the period attributable to:</b>			
Owners of the parent Company		(15,737,312)	(4,795,793)

The notes on pages 21 to 44 form part of these financial statements.

**Paddle.com Market Limited**  
Registered number:08172165

**Consolidated Statement of Financial Position**  
As at 31 December 2019

	Note	31 December 2019 £	31 August 2018 £
<b>Fixed assets</b>			
Intangible assets	12	50,236	94,261
Tangible assets	13	218,704	333,162
		<u>268,940</u>	<u>427,423</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	2,718,870	1,146,053
Cash at bank and in hand		17,643,571	10,113,762
		<u>20,362,441</u>	<u>11,259,815</u>
Creditors: amounts falling due within one year	16	(15,494,388)	(5,912,201)
<b>Net current assets</b>		<u>4,868,053</u>	<u>5,347,614</u>
<b>Total assets less current liabilities</b>		<u>5,136,993</u>	<u>5,775,037</u>
Creditors: amounts falling due after more than one year	22	(700,000)	-
Provisions	25	(691,549)	-
		<u>(691,549)</u>	<u>-</u>
<b>Net assets</b>		<u><u>3,745,444</u></u>	<u><u>5,775,037</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	4,116	3,314
Share premium account	26	25,274,670	12,820,749
Foreign exchange reserve	26	43,963	46,802
Profit and loss account	26	(21,577,305)	(7,095,828)
<b>Equity attributable to owners of the parent Company</b>		<u>3,745,444</u>	<u>5,775,037</u>
		<u><u>3,745,444</u></u>	<u><u>5,775,037</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2nd July 2021

**H G S Grimston**  
Director

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*Hugo Grimston*  
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The notes on pages 21 to 44 form part of these financial statements.

**Paddle.com Market Limited**  
Registered number:08172165

**Company Statement of Financial Position**  
As at 31 December 2019

	Note	31 December 2019 £	31 August 2018 £
<b>Fixed assets</b>			
Intangible assets	12	50,236	94,261
Tangible assets	13	214,434	333,162
Investments	14	3,993	3,985
		<u>268,663</u>	<u>431,408</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	2,982,515	1,111,511
Cash at bank and in hand		16,283,577	9,964,326
		<u>19,266,092</u>	<u>11,075,837</u>
Creditors: amounts falling due within one year	16	(14,534,633)	(5,748,041)
<b>Net current assets</b>		<u>4,731,459</u>	<u>5,327,796</u>
<b>Total assets less current liabilities</b>		<u>5,000,122</u>	<u>5,759,204</u>
Creditors: amounts falling due after more than one year		(700,000)	-
<b>Provisions for liabilities</b>			
Other provisions	25	(661,500)	-
		<u>(661,500)</u>	<u>-</u>
<b>Net assets</b>		<u><u>3,638,622</u></u>	<u><u>5,759,204</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	4,116	3,314
Share premium account	26	25,274,670	12,820,748
Profit and loss account brought forward		(7,064,858)	(2,277,831)
Loss for the period		(15,831,141)	(4,917,903)
Other changes in the profit and loss account		1,255,835	130,876
		<u>(21,640,164)</u>	<u>(7,064,858)</u>
Profit and loss account carried forward		<u><u>3,638,622</u></u>	<u><u>5,759,204</u></u>

## **Paddle.com Market Limited**

**Registered number:08172165**

### **Company Statement of Financial Position (continued) As at 31 December 2019**

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The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss for the Company for the period was £15,831,141 (2018: loss of £4,917,903).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2nd July 2021

**H G S Grimston**  
Director

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*Hugo Grimston*  
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The notes on pages 21 to 44 form part of these financial statements.

## Paddle.com Market Limited

### Consolidated Statement of Changes in Equity For the Period Ended 31 December 2019

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 September 2018	3,314	12,820,749	46,802	(7,095,828)	5,775,037
<b>Comprehensive loss for the period</b>					
Loss for the period	-	-	-	(15,737,312)	(15,737,312)
Movement in the period	-	-	(2,839)	-	(2,839)
<b>Total comprehensive loss for the period</b>	<u>-</u>	<u>-</u>	<u>(2,839)</u>	<u>(15,737,312)</u>	<u>(15,740,151)</u>
<b>Contributions by and distributions to owners</b>					
Shares issued during the period	802	12,453,921	-	-	12,454,723
Share based payment credit	-	-	-	1,255,835	1,255,835
<b>Total transactions with owners</b>	<u>802</u>	<u>12,453,921</u>	<u>-</u>	<u>1,255,835</u>	<u>13,710,558</u>
<b>At 31 December 2019</b>	<u><u>4,116</u></u>	<u><u>25,274,670</u></u>	<u><u>43,963</u></u>	<u><u>(21,577,305)</u></u>	<u><u>3,745,444</u></u>

The notes on pages 21 to 44 form part of these financial statements.

## Paddle.com Market Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 August 2018

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 September 2017	2,471	4,847,897	8,049	(2,430,914)	2,427,503
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(4,795,793)	(4,795,793)
Movement in the year	-	-	38,753	-	38,753
<b>Total comprehensive loss for the year</b>	-	-	38,753	(4,795,793)	(4,757,040)
<b>Contributions by and distributions to owners</b>					
Shares issued during the year	843	7,972,852	-	-	7,973,695
Share based payment credit	-	-	-	130,879	130,879
<b>Total transactions with owners</b>	843	7,972,852	-	130,879	8,104,574
<b>At 31 August 2018</b>	<b>3,314</b>	<b>12,820,749</b>	<b>46,802</b>	<b>(7,095,828)</b>	<b>5,775,037</b>

The notes on pages 21 to 44 form part of these financial statements.

## Paddle.com Market Limited

### Company Statement of Changes in Equity For the Period Ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 September 2018	3,314	12,820,748	(7,064,858)	5,759,204
<b>Comprehensive loss for the period</b>				
Loss for the period	-	-	(15,831,141)	(15,831,141)
<b>Total comprehensive loss for the period</b>	<u>-</u>	<u>-</u>	<u>(15,831,141)</u>	<u>(15,831,141)</u>
<b>Contributions by and distributions to owners</b>				
Shares issued during the period	802	12,453,922	-	12,454,724
Share based payment credit	-	-	1,255,835	1,255,835
<b>Total transactions with owners</b>	<u>802</u>	<u>12,453,922</u>	<u>1,255,835</u>	<u>13,710,559</u>
<b>At 31 December 2019</b>	<u><u>4,116</u></u>	<u><u>25,274,670</u></u>	<u><u>(21,640,164)</u></u>	<u><u>3,638,622</u></u>

The notes on pages 21 to 44 form part of these financial statements.

## Paddle.com Market Limited

### Company Statement of Changes in Equity For the Year Ended 31 August 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2017	2,471	4,847,897	(2,277,831)	2,572,537
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(4,917,903)	(4,917,903)
<b>Total comprehensive loss for the year</b>	<u>-</u>	<u>-</u>	<u>(4,917,903)</u>	<u>(4,917,903)</u>
<b>Contributions by and distributions to owners</b>				
Shares issued during the year	843	7,972,851	-	7,973,694
Share based payment credit	-	-	130,876	130,876
<b>Total transactions with owners</b>	<u>843</u>	<u>7,972,851</u>	<u>130,876</u>	<u>8,104,570</u>
<b>At 31 August 2018</b>	<u><u>3,314</u></u>	<u><u>12,820,748</u></u>	<u><u>(7,064,858)</u></u>	<u><u>5,759,204</u></u>

The notes on pages 21 to 44 form part of these financial statements.

## Paddle.com Market Limited

### Consolidated Statement of Cash Flows For the Period Ended 31 December 2019

	16 months ended 31 December 2019 £	12 months ended 31 August 2018 £
<b>Cash flows from operating activities</b>		
Loss for the financial period	(15,737,312)	(4,795,793)
<b>Adjustments for:</b>		
Amortisation of intangible assets	55,158	49,564
Depreciation of tangible assets	171,971	216,734
Impairments of fixed assets	-	1,348,781
Loss on disposal of tangible assets	92,640	-
Interest paid	3,248	-
Increase in debtors	(1,049,107)	(244,717)
Increase in creditors	9,072,102	3,240,987
Increase in provisions	691,549	-
Share based payment	1,255,835	130,879
Financial instruments fair value loss	204,670	-
Corporation tax	(523,710)	(428,029)
Foreign exchange	180,810	110,138
<b>Net cash utilised in operating activities</b>	<b>(5,582,146)</b>	<b>(371,456)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(11,133)	(1,704)
Purchase of tangible fixed assets	(180,290)	(406,586)
Sale of tangible fixed assets	30,137	-
<b>Net cash from investing activities</b>	<b>(161,286)</b>	<b>(408,290)</b>

## Paddle.com Market Limited

### Consolidated Statement of Cash Flows (continued) For the Period Ended 31 December 2019

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	802	843
Issue of share premium	12,453,921	7,972,852
New secured loans	1,000,000	-
Interest paid	(3,248)	-
<b>Net cash raised from financing activities</b>	<b>13,451,475</b>	<b>7,973,695</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,708,043</b>	<b>7,193,949</b>
Cash and cash equivalents at beginning of period	10,113,762	2,991,198
Foreign exchange gains and losses	(178,234)	(71,385)
<b>Cash and cash equivalents at the end of period</b>	<b>17,643,571</b>	<b>10,113,762</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	17,643,571	10,113,762
	<b>17,643,571</b>	<b>10,113,762</b>

The notes on pages 22 to 45 form part of these financial statements.

# Paddle.com Market Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

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### 1. Statutory information

Paddle.com Market Limited is a private company limited by shares, registered in England and Wales under the Companies Act. The address of the registered office can be found on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied.

#### 2.2 Going concern

In considering going concern the Directors have initially assessed the existing and expected impact of the Covid-19 pandemic on the Group's activities and the appropriateness of the use of the going concern basis. Currently trade is operating as normal and no changes are anticipated. Most of the Group's employees have been asked to work from home and the job retention scheme has only been utilised to a limited extent.

The Group was loss making for the 16 month period and at the 31 December 2019 is in a net current asset position of £3.7m (2018 - £5.8m). 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 successfully completed a third round of funding in November 2020 worth \$68m and hence 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.

## **Paddle.com Market Limited**

### **Notes to the Financial Statements For the Period Ended 31 December 2019**

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#### **2. Accounting policies (continued)**

##### **2.3 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 December 2017.

##### **2.4 Exemptions**

The parent company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing certain financial instrument information which is provided on a group basis in these financial statements; and
- the exemption from disclosing key management personnel compensation.

##### **2.5 Revenue recognition**

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, 'Turnover Share', which represents the amount due to software licensors.

Paddle has a licence to resell software and on any given sale Paddle simultaneously buys software off 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.

## **Paddle.com Market Limited**

### **Notes to the Financial Statements For the Period Ended 31 December 2019**

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#### **2. Accounting policies (continued)**

##### **2.6 Operating lease commitments**

The group has entered into a commercial property lease and as a lessee, it obtains use of property, plant and equipment. The classification of such lease as operating or finance requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of the assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The directors have determined for the lease to be operating. Annual rentals are charged to the Statement of Comprehensive income over the period of the lease.

##### **2.7 Goodwill**

The group establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight-line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

##### **2.8 Research and development**

Research and development expenditure is written off as incurred, except development expenditure incurred on an individual project is capitalised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

# Paddle.com Market Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

### 2. Accounting policies (continued)

#### 2.9 Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding website development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight-line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable,

Amortisation is provided on intangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life. Where the directors consider that there has been a permanent impairment in value the asset is written down to its realisable value in the year of impairment.

Amortisation is provided on the following bases:

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

#### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33%
Office equipment	-	33%
Computer equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

# Paddle.com Market Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.11 Valuation of investments

Investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

#### 2.12 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

#### 2.13 Financial instruments

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### (i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 is recognised in the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income, except for investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

## **Paddle.com Market Limited**

### **Notes to the Financial Statements For the Period Ended 31 December 2019**

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#### **2. Accounting policies (continued)**

##### **2.13 Financial instruments (continued)**

Financial assets are derecognised when:

- (a) the contractual rights to the cash flows from the asset expire or settled, or
- (b) substantially all risks and rewards of the ownership of the asset are transferred to another party, or
- (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### **(ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors, loans from fellow group companies 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.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Financial liabilities are classified as current if payment is due within one year. If not, they are presented as non-current liabilities.

Non-basic financial liabilities (i.e. warrant derivatives) that are considered to represent a financing transaction are measured annually at fair value with gains/losses being reported in finance income/expense in the Statement of Comprehensive income.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

# Paddle.com Market Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.14 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 2.15 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.

#### 2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### 2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Paddle.com Market Limited

## Notes to the Financial Statements For the Period Ended 31 December 2019

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### 2. Accounting policies (continued)

#### 2.19 Share based payments

The company operates an equity-settled, cash-based compensation plan. The fair value of the employee services received in exchange for the grant for the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement. The credit entry is taken to reserves because the share options are equity-settled.

#### 2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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 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.

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 4. Revenue

Analysis of revenue by country of destination:

	16 months ended 31 December 2019 £	12 months ended 31 August 2018 £
United Kingdom	664,680	265,658
Rest of Europe	3,155,167	1,024,196
Rest of the world	7,100,228	2,775,975
	<u>10,920,075</u>	<u>4,065,829</u>

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

#### 5. Other operating income

	16 months ended 31 December 2019 £	12 months ended 31 August 2018 £
Subscription income	276,275	211,958

#### 6. Interest payable and similar expenses

	16 months ended 31 December 2019 £	12 months ended 31 August 2018 £
Bank interest payable	3,248	47
Fair value loss on warrantee derivative	204,670	-
	<u>207,918</u>	<u>47</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 7. Employees

Staff costs were as follows:

	<b>Group 16 months ended 31 December 2019 £</b>	<b>Group 12 months ended 31 August 2018 £</b>	<b>Company 16 months ended 31 December 2019 £</b>	<b>Company 12 months ended 31 August 2018 £</b>
Wages and salaries	11,287,285	3,342,507	11,267,033	3,328,474
Social security costs	1,185,933	346,073	1,185,933	346,073
Pension costs	218,609	48,111	218,609	48,111
	<u>12,691,827</u>	<u>3,736,691</u>	<u>12,671,575</u>	<u>3,722,658</u>

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

	<b>Group 16 months ended 31 December 2019 No.</b>	<b>Group 12 months ended 31 August 2018 No.</b>	<b>Company 16 months ended 31 December 2019 No.</b>	<b>Company 12 months ended 31 August 2018 No.</b>
Directors	8	7	7	6
Employees	127	55	127	55
	<u>135</u>	<u>62</u>	<u>134</u>	<u>61</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 8. Directors' remuneration

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
Directors' emoluments	448,679	213,750
Company contributions to defined contribution pension schemes	11,783	5,304
	<b>460,462</b>	<b>219,054</b>
	<b>460,462</b>	<b>219,054</b>

There were 2 directors in the group's defined contribution pension scheme (2018 - 2). 2 of the directors accrued benefits under the group's defined benefit pension scheme during the year (2018 - 2).

Emoluments of the highest paid director were £229,947 (2018 - £112,500). Company pension contributions of £5,922 (2018 - £3,375) were made to a pension scheme on his behalf.

#### 9. Operating loss

The operating loss is stated after charging:

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
Depreciation - owned assets	171,971	216,734
Patents and licences amortisation	55,158	49,564
Intangible Impairment	-	1,348,781
Share based payment	1,255,835	130,876
Operating lease expenditure	1,495,934	226,420
Foreign exchange loss	414,760	76,133
	<b>414,760</b>	<b>76,133</b>
	<b>414,760</b>	<b>76,133</b>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 10. Auditor's remuneration

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Audit-related assurance services	80,077	38,837
Taxation compliance services	4,350	-
Taxation advisory	25,603	-
	<b>110,030</b>	<b>38,837</b>
	<b>110,030</b>	<b>38,837</b>

#### 11. Taxation

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
<b>Corporation tax</b>		
UK corporation tax	(523,710)	(428,029)
	<b>(523,710)</b>	<b>(428,029)</b>
	<b>(523,710)</b>	<b>(428,029)</b>
<b>Total current tax</b>	<b>(523,710)</b>	<b>(428,029)</b>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 11. Taxation (continued)

##### Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	<b>16 months ended 31 December 2019 £</b>	<b>12 months ended 31 August 2018 £</b>
Loss on ordinary activities before tax	<b>(16,261,022)</b>	<b>(5,223,822)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>(3,089,594)</b>	<b>(992,526)</b>
<b>Effects of:</b>		
Fixed asset differences	<b>20,528</b>	<b>1,165,662</b>
Expenses not deductible for tax purposes	<b>371,365</b>	<b>3,787</b>
Other permanent differences	<b>1,611</b>	<b>-</b>
Additional deduction for R&D expenditure	<b>(386,909)</b>	<b>(919,716)</b>
Surrender of tax losses for R&D tax credit refund	<b>162,126</b>	<b>235,932</b>
Adjust closing deferred tax to average rate	<b>363,823</b>	<b>78,832</b>
Adjust opening deferred tax to average rate	<b>(155,846)</b>	<b>-</b>
Deferred tax not recognised	<b>2,189,186</b>	<b>-</b>
<b>Total tax charge for the period/year</b>	<b>(523,710)</b>	<b>(428,029)</b>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 11. Taxation (continued)

##### Factors that may affect future tax charges

There are no factors that may affect future tax charges.

At the year end the company had assessed losses available for use against future taxable profits totalling £18,074,229 (2018 - £5,579,891). The related deferred tax asset has not been recognised on the basis that there is insufficient certainty over future profit generation which these losses can be offset.

#### 12. Intangible assets

##### Group and Company

	IP & Trademark £	Website development £	Total £
<b>Cost</b>			
At 1 September 2018	248,281	6,684	254,965
Additions	11,133	-	11,133
At 31 December 2019	<u>259,414</u>	<u>6,684</u>	<u>266,098</u>
<b>Amortisation</b>			
At 1 September 2018	154,020	6,684	160,704
Charge for the period	55,158	-	55,158
At 31 December 2019	<u>209,178</u>	<u>6,684</u>	<u>215,862</u>
<b>Net book value</b>			
At 31 December 2019	<u>50,236</u>	-	<u>50,236</u>
At 31 August 2018	<u>94,261</u>	-	<u>94,261</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 13. Tangible fixed assets

##### Group

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 September 2018	57,982	274,219	260,470	592,671
Additions	35,495	13,984	130,811	180,290
Disposals	(54,519)	(288,203)	(5,879)	(348,601)
At 31 December 2019	<u>38,958</u>	<u>-</u>	<u>385,402</u>	<u>424,360</u>
<b>Depreciation</b>				
At 1 September 2018	36,188	163,339	59,982	259,509
Charge for the period	17,641	16,687	137,643	171,971
Disposals	(41,377)	(180,026)	(4,421)	(225,824)
At 31 December 2019	<u>12,452</u>	<u>-</u>	<u>193,204</u>	<u>205,656</u>
<b>Net book value</b>				
At 31 December 2019	<u>26,506</u>	<u>-</u>	<u>192,198</u>	<u>218,704</u>
At 31 August 2018	<u>21,794</u>	<u>110,880</u>	<u>200,488</u>	<u>333,162</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 13. Tangible fixed assets (continued)

##### Company

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 September 2018	57,982	274,219	260,470	592,671
Additions	35,495	13,984	126,541	176,020
Disposals	(54,519)	(288,203)	(5,879)	(348,601)
At 31 December 2019	<u>38,958</u>	<u>-</u>	<u>381,132</u>	<u>420,090</u>
<b>Depreciation</b>				
At 1 September 2018	36,188	163,339	59,982	259,509
Charge for the period on owned assets	17,641	16,687	137,643	171,971
Disposals	(41,377)	(180,026)	(4,421)	(225,824)
At 31 December 2019	<u>12,452</u>	<u>-</u>	<u>193,204</u>	<u>205,656</u>
<b>Net book value</b>				
At 31 December 2019	<u>26,506</u>	<u>-</u>	<u>187,928</u>	<u>214,434</u>
At 31 August 2018	<u>21,794</u>	<u>110,880</u>	<u>200,488</u>	<u>333,162</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 14. Fixed asset investments

##### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 September 2018	3,985
Additions	8
At 31 December 2019	3,993

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Paddle Payments Limited	Core B, Block 71, The Plaza, Park West, Dublin 12	Ordinary	100%
Dev Mate Inc	5201 Great America PKWY, Suite 320, Santa Clara, CA95054	Ordinary	100%
Calq.io Limited	15 Briery Close, Great Oakley, Corby, Northamptonshire, NN18 8JG	Ordinary	100%
Paddle Inc	3811 Ditmars Blvd 1071, Astoria, NY 11105-1803	Ordinary	100%

During the period, Paddle.Com Market Limited acquired 10 shares in Paddle Inc for USD10.

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 15. Debtors

	Group 31 December 2019 £	Group 31 August 2018 £	Company 31 December 2019 £	Company 31 August 2018 £
Trade debtors	6,469	31,355	-	-
Amounts owed by group undertakings	-	-	294,113	4,707
Other debtors	1,681,004	545,666	1,657,115	537,772
Prepayments and accrued income	508,992	260,624	508,882	260,624
Tax recoverable	522,405	308,408	522,405	308,408
	<u>2,718,870</u>	<u>1,146,053</u>	<u>2,982,515</u>	<u>1,111,511</u>

#### 16. Creditors: Amounts falling due within one year

	Group 31 December 2019 £	Group 31 August 2018 £	Company 31 December 2019 £	Company 31 August 2018 £
Other loans	300,000	-	300,000	-
Trade creditors	219,315	277,534	227,863	277,237
Amounts owed to group undertakings	-	-	-	713,535
Other taxation and social security	3,021,818	763,517	2,894,480	700,148
Other creditors	10,403,810	4,697,708	9,717,841	3,899,714
Accruals and deferred income	1,344,775	173,442	1,189,779	157,407
Warrant derivative liability	204,670	-	204,670	-
	<u>15,494,388</u>	<u>5,912,201</u>	<u>14,534,633</u>	<u>5,748,041</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 £50,236 at 31st December 2019.

During the year, the group borrowed funds from its bankers under a term loan of £1,000,000. It is repayable over 30 months from 1 April 2020 and interest accrues at a fixed rate of 9.25%. The loan is secured by a charge over assets and revenues of the Company and Paddle Payments Limited.

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 17. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £218,350 (2018 - £47,379). Contributions totalling £37,064 were payable to the fund at the reporting date and are included in creditors.

#### 18. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for premises for each of the following periods:

	Group 31 December 2019 £	Group 31 August 2018 £	Company 31 December 2019 £	Company 31 August 2018 £
Not later than 1 year	1,447,765	377,230	1,447,765	377,230
Later than 1 year and not later than 5 years	-	300,800	-	300,800
	<u>1,447,765</u>	<u>678,030</u>	<u>1,447,765</u>	<u>678,030</u>

#### 19. Share capital

	31 December 2019 £	31 August 2018 £
<b>Allotted, called up and fully paid</b>		
151,660 (2018 - 144,327) Ordinary shares shares of £0.01 each	1,517	1,444
45,328 (2018 - 45,328) Ordinary A shares shares of £0.01 each	453	453
59,928 (2018 - 59,928) Ordinary A2 shares shares of £0.01 each	599	599
154,719 (2018 - 81,817) Ordinary A3 shares shares of £0.01 each	1,547	818
	<u>4,116</u>	<u>3,314</u>

During the period 7333 ordinary shares were issued as a result of share options been exercised, 72,902 Ordinary A3 shares of £0.01 were issued and a share premium of £12,453,921 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 a winding up of the company. In any liquidation event the A3 Ordinary shares shall be paid first in any asset distribution, followed by 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 For the Period Ended 31 December 2019**

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#### **20. 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 and 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 as disclosed in note 8.

Revenue of £2,260,953 (2018: £1,229,690) generated from Hilderbrand Technology Limited. A major shareholder of Hilderbrand Technology Limited is also a director of the Company. As at 31 December 2019, £165,395 was payable to this company.

Revenue of £573 (2018: £6,872) was generated from Creatable, which has a common directors with the company. At 31 December 2019, £1 was payable to this company.

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 21. Share based payments

The company operates an EMI qualifying share option scheme. As at the date of the Statement of Financial Position, the company had granted 43,732 EMI qualifying share options with exercise prices of £0.01, £1.42, £2.01 and £13.28 per share. During the period, 7,333 options had been exercised and 534 options had expired at the period end. Share options vest over a 4 year period from the date of grant.

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

	31 December 2019 Weighted average exercise price £	31 December 2019 Number	31 August 2018 Weighted average exercise price £	31 August 2018 Number
Outstanding at the beginning of the period/year	0.98	34,602	0.74	27,987
Granted during the period/year	7.27	23,250	0.01	7,054
Forfeited during the period/year	0.04	(6,253)	0.61	(208)
Exercised during the period/year	0.02	(7,333)	0.72	(231)
Expired during the year	0.01	(534)	-	-
<b>Outstanding at the end of the period/year</b>	<b>6.54</b>	<b>43,732</b>	<b>0.98</b>	<b>34,602</b>

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 materially accurate estimate of the fair value of the options granted. The following information is relevant in the determination of the fair value of portions granted:

	31 December 2019 Black- Scholes (Series B+)	31 August 2018 Black- Scholes (Series B)
Option pricing model used		
Weighted average share price (pence)	117	56
Exercise price (pence)	0.01	0.01
Weighted average contractual life (years)	4	4
Expected volatility	100%	100%
Expected dividend growth rate	0.84%	0.19%
Risk-free interest rate	0.84%	0.19%

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 21. Share based payments (continued)

The following information is relevant in the determination of the fair value of portions granted at 31 August 2018 (Black Scholes Series A)

• Weighted average share price (pence)	24
• Exercise price (pence)	1.42
• Weighted average contractual life (years)	4
• Expected volatility	100%
• Expected dividend growth rate	0.19%
• Risk-free interest rate	0.19%

	31 December 2019 £	31 August 2018 £
Share option charge recognised in Statement of Comprehensive Income	1,255,835	130,876
	<u>1,255,835</u>	<u>130,876</u>

#### 22. Loans

	Group 31 December 2019 £	Group 31 August 2018 £	Company 31 December 2019 £	Company 31 August 2018 £
<b>Amounts falling due within one year</b>				
Bank loans	300,000	-	300,000	-
<b>Amounts falling due 1-2 years</b>				
Bank loans	400,000	-	400,000	-
<b>Amounts falling due 2-5 years</b>				
Bank loans	300,000	-	300,000	-
	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 23. Analysis of net debt

	1 September 2018 £	Cash flows £	Other non- cash changes £	31 December 2019 £
Cash at bank and in hand	10,113,762	7,708,043	(178,234)	17,643,571
Bank loans	-	(1,000,000)	-	(1,000,000)
	10,113,762	6,708,043	(178,234)	16,643,571

#### 24. Financial instruments

	Group 31 December 2019 £	Group 31 August 2018 £	Company 31 December 2019 £	Company 31 August 2018 £
<b>Financial liabilities</b>				
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(204,670)	-	(204,670)	-
	(204,670)	-	(204,670)	-

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise warrant options to acquire share in the parent company as part of the contract terms to a loan.

#### 25. Provisions

At 31 December 2019, the Group had the following provisions:

##### Group

	Sales related taxes £	Total £
Charged to profit or loss	691,549	691,549
<b>At 31 December 2019</b>	<b>691,549</b>	<b>691,549</b>

## Paddle.com Market Limited

### Notes to the Financial Statements For the Period Ended 31 December 2019

#### 25. Provisions (continued)

At 31 December 2019, the Company had the following provisions:

##### Company

	<b>Sales related taxes £</b>	<b>Total £</b>
Charged to profit or loss	661,500	661,500
<b>At 31 December 2019</b>	<b>661,500</b>	<b>661,500</b>

#### 26. Reserves

##### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

##### Foreign exchange reserve

Foreign exchange reserve represents the cumulative portion of gains and losses on foreign exchange transactions.

##### Profit and loss account

Profit and loss account represents cumulative profits or losses, net of other adjustments and dividends paid to shareholders.

#### 27. Post balance sheet events

The effects of the Covid-19 pandemic are the results of events that arose after the reporting date and therefore this is a non-adjusting post balance sheet event. See note 2 for the implications on going concern.

In November 2020 Paddle successfully completed third round funding which raised \$68m.

#### 28. Controlling party

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