

Paddle.com Market Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Registration No. 08172165 (England and Wales)

Paddle.com Market Limited

Company Information

Directors
H G S Grimston
C B Owens
C Chrysanthou
S C Chandler
C Thorna
K A Grisworld (appointed 19 November 2020)

Company number 08172165

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

Auditor
Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

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

Paddle.com Market Limited

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Paddle.com Market Limited

Strategic Report

For the year ended 31 December 2020

The directors present the strategic for Paddle.com Market Ltd ("Paddle" or "the Company") report for the year ended 31 December 2020.

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 had around 4,686 active customers at 31 December 2020, up from 3,129 on 1 January 2020. 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 2020 this was primarily driven by outbound sales activities with marketing efforts aimed at sales enablement.

During 2020, growth continued to be strong with a 59.4% increase in Revenue and 76.2% increase in Gross Margin. The COVID-19 pandemic was the largest external factor affecting the business. Given uncertainty in March and April 2020 and the Company's funding position, Paddle made the difficult decision to undertake a number of cost-cutting initiatives including a workforce reduction. Ultimately business performance continued to be strong due to the resilient nature of the software market and Paddle was able to end the year with a Series C fundraising led by FTV Capital.

Paddle's mission is to become the leading platform for software businesses to run and grow their businesses. A continued focus for 2020 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.

Product development in 2020 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. Work on Checkout included adding multiple new payment currencies, localisation of payment options and diversification of our payments stack by adding more payment processor partners.

2020 saw the start of the COVID-19 pandemic, which led to a large amount of uncertainty. Paddle is a loss-making business that currently depends on equity and debt financing, therefore scenario planning was undertaken in the early weeks of the pandemic, which resulted in the difficult decision to restructure the workforce as a cost saving exercise. As part of the restructure, Paddle took advantage of the government furlough scheme where possible and some employees were happily able to return after the furlough.

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. Hence, Paddle was able to demonstrate strong growth after the initial uncertainty in March and April.

Paddle swiftly moved to a remote only company due to the pandemic. Given that Paddle's software architecture is built on cloud servers with cloud services, the move to fully remote was relatively seamless. Since the 2020 year end, Paddle has reopened offices and implemented a new Digital First policy, allowing employees the choice of working from home or from an office.

Paddle.com Market Limited

Strategic Report (Continued)

For the year ended 31 December 2020

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 59.4% to £17.4m. The group's net assets increased from £3.7m to £19.9m.

EBITDA Loss (defined below) decreased to £6.8m this year from £15.5m for the period ended 31 December 2019.

	2020	2019
Operating loss	(7,031,735)	(15,737,312)
Depreciation	143,940	171,971
Amortisation	19,068	55,158
EBITDA	(6,868,727)	(15,510,183)

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.

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.

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 (KYC and 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.

Paddle.com Market Limited

Strategic Report (Continued)

For the year ended 31 December 2020

Cash

Paddle is a high growth loss-making business and will therefore need to raise capital periodically until reaching cash flow breakeven. Paddle's balance sheet was in a strong position at the end of 2020 due to the FTV-led Series C fundraising.

On behalf of the board

H G S Grimston
Director
31 December 2021

Paddle.com Market Limited

Directors' Report

For the year ended 31 December 2020

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

Principal activities

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

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

C B Owens

C Chrysanthou

S C Chandler

C Thoma

L C Bowden

K A Grisworld

(Appointed 19 November 2020)

Results and dividends

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

No ordinary dividends were paid (2019: Nil). The directors do not recommend payment of a further dividend.

Future developments

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. The Group has adapted well to hybrid working practices and the job retention scheme has only been utilised to a limited extent.

The Group was loss making for the year ended 31 December 2020 but is in a net current asset position of £19.9m (2019 - £3.7m). 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.

Paddle.com Market Limited

Directors' Report (Continued)

For the year ended 31 December 2020

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.

On behalf of the board

H G S Grimston

Director

31 December 2021

Paddle.com Market Limited

Directors' Responsibilities Statement

For the year ended 31 December 2020

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 2020 which comprise the Group Statement of Comprehensive Income, the Group Statement Of Financial Position, the Company Statement Of Financial Position, 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 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 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 2020 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 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

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 or 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 directors are responsible for the other information. The other information comprises the information included in the annual 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.

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 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.

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.

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

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 group and parent company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the group and parent 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 group and parent company comply 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.

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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Paddle.com Market Limited

Independent Auditor's Report (Continued)

To the Members of Paddle.com Market Limited

Use of our report

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

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

31 December 2021

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Paddle.com Market Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £	Period ended 31 December 2019 £
Turnover	3	243,733,498	145,906,330
Turnover Share		(226,305,841)	(134,986,255)
Revenue		17,427,657	10,920,075
Cost of sales		(8,133,706)	(5,647,145)
Gross profit		9,293,951	5,272,930
Administrative expenses		(16,307,628)	(21,602,309)
Other operating income	3	113,010	276,275
Operating loss	4	(6,900,667)	(16,053,104)
Finance costs	8	(517,313)	(207,918)
Other gains and losses		3,077	-
Loss before taxation		(7,414,903)	(16,261,022)
Tax on loss	9	383,168	523,710
Loss for the financial year	23	(7,031,735)	(15,737,312)
Other comprehensive income			
Currency translation differences		61,691	(2,839)
Total comprehensive income for the year		(6,970,044)	(15,740,151)

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 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Intangible assets	10		31,168		50,236
Property, plant and equipment	11		125,317		218,704
			<u>156,485</u>		<u>268,940</u>
Current assets					
Trade and other receivables	15	4,286,413		2,718,870	
Cash and cash equivalents		47,913,135		17,643,571	
		<u>52,199,548</u>		<u>20,362,441</u>	
Current liabilities	16	(30,488,603)		(15,494,388)	
Net current assets			<u>21,710,945</u>		<u>4,868,053</u>
Total assets less current liabilities			21,867,430		5,136,993
Non-current liabilities	17		(1,919,048)		(700,000)
Provisions for liabilities	19		-		(691,549)
Net assets			<u>19,948,382</u>		<u>3,745,444</u>
Equity					
Called up share capital	21		5,251		4,116
Share premium account	23		48,310,098		25,274,670
Other reserves	23		105,654		43,963
Retained earnings	23		(28,472,621)		(21,577,305)
Total equity			<u>19,948,382</u>		<u>3,745,444</u>

The financial statements were approved by the board of directors and authorised for issue on 31 December 2021 and are signed on its behalf by:

H G S Grimston
Director

Paddle.com Market Limited

Company Statement Of Financial Position

As at 31 December 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		31,168		50,236
Property, plant and equipment	11		120,972		214,434
Investments	12		107		3,993
			<u>152,247</u>		<u>268,663</u>
Current assets					
Trade and other receivables	15	5,438,916		2,982,515	
Cash and cash equivalents		45,950,424		16,283,577	
		<u>51,389,340</u>		<u>19,266,092</u>	
Current liabilities	16	(29,613,862)		(14,534,633)	
Net current assets			<u>21,775,478</u>		<u>4,731,459</u>
Total assets less current liabilities			21,927,725		5,000,122
Non-current liabilities	17	(1,919,048)		(700,000)	
Provisions for liabilities	19	-		(661,500)	
Net assets			<u>20,008,677</u>		<u>3,638,622</u>
Equity					
Called up share capital	21		5,251		4,116
Share premium account	23		48,310,098		25,274,670
Retained earnings	23		(28,306,672)		(21,640,164)
Total equity			<u>20,008,677</u>		<u>3,638,622</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 £6,802,927 (2019 - £15,831,141 loss).

The financial statements were approved by the board of directors and authorised for issue on 31 December 2021 and are signed on its behalf by:

H G S Grimston
Director

Company Registration No.

Paddle.com Market Limited

Group Statement of Changes in Equity For the year ended 31 December 2020

	Share capital	Share premium account	Foreign exchange reserve	Retained earnings	Total
Notes	£	£	£	£	£
Balance at 1 September 2018	3,314	12,820,748	46,802	(7,095,828)	5,775,036
Period ended 31 December 2019:					
Loss for the period	-	-	-	(15,737,312)	(15,737,312)
Other comprehensive income:					
Total comprehensive income for the period	-	-	-	(15,737,312)	(15,740,151)
Issue of share capital 21	802	12,453,922	-	-	12,454,724
Credit to equity for equity settled share-based payments 22	-	-	-	1,255,835	1,255,835
Transfers	-	-	(2,839)	-	(2,839)
Balance at 31 December 2019	4,116	25,274,670	43,963	(21,577,305)	3,745,444
Period ended 31 December 2020:					
Loss for the period	-	-	-	(7,031,735)	(7,031,735)
Other comprehensive income:					
Total comprehensive income for the period	-	-	-	(7,031,735)	(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 22	-	-	-	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

Paddle.com Market Limited

Company Statement of Changes in Equity For the year ended 31 December 2020

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 1 September 2018		3,314	12,820,748	(7,064,858)	5,759,204
Period ended 31 December 2019:					
Loss and total comprehensive income for the period		-	-	(15,831,141)	(15,831,141)
Issue of share capital	21	802	12,453,922	-	12,454,724
Credit to equity for equity settled share-based payments	22	-	-	1,255,835	1,255,835
Balance at 31 December 2019		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	22	-	-	136,419	136,419
Balance at 31 December 2020		5,251	48,310,098	(28,306,672)	20,008,677

Paddle.com Market Limited

Group Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	28		4,642,417		(5,582,146)
Interest paid			(306,399)		(3,248)
Net cash inflow/(outflow) from operating activities			<u>4,336,018</u>		<u>(5,585,394)</u>
Investing activities					
Purchase of intangible assets		-		(11,133)	
Purchase of property, plant and equipment		(64,708)		(180,290)	
Proceeds on disposal of property, plant and equipment		-		30,137	
Net cash used in investing activities			<u>(64,708)</u>		<u>(161,286)</u>
Financing activities					
Proceeds from issue of shares		23,036,563		12,454,723	
Proceeds from borrowings		2,900,000		-	
Repayment of borrowings		-		795,330	
Purchase of derivatives		-		204,670	
Net cash generated from financing activities			<u>25,936,563</u>		<u>13,454,723</u>
Net increase in cash and cash equivalents			<u>30,207,873</u>		<u>7,708,043</u>
Cash and cash equivalents at beginning of year			17,643,571		10,113,762
Effect of foreign exchange rates			61,691		(178,234)
Cash and cash equivalents at end of year			<u><u>47,913,135</u></u>		<u><u>17,643,571</u></u>

Paddle.com Market Limited

Notes to the Financial Statements

For the year ended 31 December 2020

1 Accounting policies

Company information

Paddle.com Market Limited ("the company") is a private limited company 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.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Paddle.com Market Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020. 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 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. In the group financial statements, associates are accounted for using the equity method.

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. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 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 is growing rapidly and as forecast it made a loss in the year to 31 December 2020. However 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

1.4 Reporting period

This set of financial statements are for a period of 12 months. The comparative figures represent a period of 16 months as the Group changed its year end from September 2019 to December 2019, therefore the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.5 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. '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.

1.6 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.

1.7 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 if the fair value can be measured reliably.

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

1.8 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:

Fixtures and fittings	33% straight line
Computer equipment	33% straight line

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

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.

1.9 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.

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

1.10 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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

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.

1.11 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.

1.12 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.

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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

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.

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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

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.

1.13 Equity instruments

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

1.14 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.

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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.15 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.16 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.

1.17 Retirement benefits

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

1.18 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 2020

1 Accounting policies

(Continued)

1.19 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease 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.

1.20 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 are included in the income statement for the period.

1.21 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 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.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3 Turnover

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	18,021,684	10,850,041
Rest of Europe	74,060,063	46,164,953
Rest of the world	151,651,751	88,891,336
	<u>243,733,498</u>	<u>145,906,330</u>

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

	2020	2019
	£	£
Other operating income		
Subscription income	-	276,275
Coronavirus Job Support Scheme	111,225	-
Other income	1,785	-
	<u>113,010</u>	<u>276,275</u>

4 Operating loss

	2020	2019
	£	£
Operating loss for the period is stated after charging:		
Exchange losses	730,952	414,760
Research and development costs	209,673	230,924
Depreciation of owned property, plant and equipment	143,940	171,971
Loss on disposal of property, plant and equipment	14,157	92,640
Amortisation of intangible assets	19,068	55,158
Share-based payments	136,419	1,255,835
Operating lease charges	1,025,217	1,495,934

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £730,952 (2019 - £619,304).

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	110,000	80,077
For other services		
Taxation compliance services	20,000	4,350
Other taxation services	-	25,603
	<u>20,000</u>	<u>29,953</u>

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Directors	8	8	7	7
Employees	109	127	109	127
	<u>117</u>	<u>135</u>	<u>116</u>	<u>134</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	8,023,675	11,287,285	7,761,035	11,267,033
Social security costs	899,834	1,185,933	899,834	1,185,933
Pension costs	149,025	218,609	149,025	218,609
	<u>9,072,534</u>	<u>12,691,827</u>	<u>8,809,894</u>	<u>12,671,575</u>

7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	332,678	448,679
Company pension contributions to defined contribution schemes	8,303	11,783
	<u>340,981</u>	<u>460,462</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

7 Directors' remuneration (Continued)

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

	2020	2019
	£	£
Remuneration for qualifying services	170,947	229,947
Company pension contributions to defined contribution schemes	4,151	5,922
	<u>175,098</u>	<u>235,869</u>

There were 2 directors in the Group's defined contribution pension scheme (2019: 2). 2 directors exercised share options during the year (2019: 2).

8 Finance costs

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	306,399	3,248
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	210,914	204,670
Total finance costs	<u>517,313</u>	<u>207,918</u>

9 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	(383,168)	(523,710)
	<u>(383,168)</u>	<u>(523,710)</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9 Taxation (Continued)

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

	2020 £	2019 £
Loss before taxation	(7,414,903)	(16,261,022)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)</i>	(1,408,832)	(3,089,594)
Tax effect of expenses that are not deductible in determining taxable profit	97,209	371,365
Permanent capital allowances in excess of depreciation	7,032	20,528
Other permanent differences	22,635	1,611
Deferred tax adjustments in respect of prior years	-	207,977
Additional deduction for R&D expenditure	(283,786)	(386,909)
Surrender of tax losses for R&D tax credit refund	118,914	162,126
Deferred tax not recognised	1,063,660	2,189,186
Taxation credit for the period	(383,168)	(523,710)

10 Intangible fixed assets

Group	IP & trademark £	Website development £	Total £
Cost			
At 1 January 2020 and 31 December 2020	259,414	6,684	266,098
Amortisation and impairment			
At 1 January 2020	209,178	6,684	215,862
Amortisation charged for the year	19,068	-	19,068
At 31 December 2020	228,246	6,684	234,930
Carrying amount			
At 31 December 2020	31,168	-	31,168
At 31 December 2019	50,236	-	50,236

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

10 Intangible fixed assets (Continued)

Company	IP & trademark £	Website development £	Total £
Cost			
At 1 January 2020 and 31 December 2020	259,414	6,684	266,098
Amortisation and impairment			
At 1 January 2020	209,178	6,684	215,862
Amortisation charged for the year	19,068	-	19,068
At 31 December 2020	228,246	6,684	234,930
Carrying amount			
At 31 December 2020	31,168	-	31,168
At 31 December 2019	50,236	-	50,236

11 Property, plant and equipment

Group	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2020	38,958	385,402	424,360
Additions	8,357	56,351	64,708
Disposals	(3,525)	(37,493)	(41,018)
At 31 December 2020	43,791	404,259	448,050
Depreciation and impairment			
At 1 January 2020	12,452	193,204	205,656
Depreciation charged in the year	16,570	127,370	143,940
Eliminated in respect of disposals	(1,666)	(25,195)	(26,861)
At 31 December 2020	27,356	295,377	322,733
Carrying amount			
At 31 December 2020	16,435	108,882	125,317
At 31 December 2019	26,506	192,198	218,704

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

11 Property, plant and equipment		(Continued)		
Company		Fixtures and fittings	Computer equipment	Total
		£	£	£
Cost				
At 1 January 2020		38,959	381,131	420,090
Additions		7,303	55,201	62,504
Disposals		(3,525)	(37,493)	(41,018)
At 31 December 2020		42,737	398,839	441,576
Depreciation and impairment				
At 1 January 2020		12,452	193,202	205,654
Depreciation charged in the year		16,239	125,572	141,811
Eliminated in respect of disposals		(1,666)	(25,195)	(26,861)
At 31 December 2020		27,025	293,579	320,604
Carrying amount				
At 31 December 2020		15,712	105,260	120,972
At 31 December 2019		26,506	187,928	214,434
12 Fixed asset investments				
		Group		Company
		2020	2019	2020
	Notes	£	£	£
Investments in subsidiaries	13	-	-	107
Movements in non-current investments				
Company				Shares in group undertakings
				£
Cost or valuation				
At 1 January 2020				3,993
Disposals				(3,886)
At 31 December 2020				107
Carrying amount				
At 31 December 2020				107
At 31 December 2019				3,993

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Paddle Payments Limited	Ireland	Services and reselling of the digital content	Ordinary	100.00	0
DevMate Inc. (disposed of 17 March 2020)		Services and reselling of the digital content	Ordinary	0	0
Calq.io Limited	UK	Services and reselling of the digital content	Ordinary	100.00	0
Paddle Inc	USA	Services and reselling of the digital content	Ordinary	100.00	0

14 Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost				
	2,756,846	1,687,449	3,909,372	1,951,228
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	415,584	204,670	415,584	204,670
Measured at amortised cost	25,923,408	12,967,900	25,475,285	12,135,483

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.

15 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade receivables	-	6,469	-	-
Corporation tax recoverable	905,573	522,405	905,573	522,405
Amounts due from group undertakings	-	-	1,543,159	294,113
Other receivables	2,756,869	1,681,004	2,366,213	1,657,115
Prepayments and accrued income	623,971	508,992	623,971	508,882
	4,286,413	2,718,870	5,438,916	2,982,515

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

16 Current liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Other borrowings	18	1,980,952	300,000	1,980,952	300,000
Trade payables		250,233	219,315	236,528	227,863
Amounts due to group undertakings		-	-	700,814	-
Other taxation and social security		6,068,659	3,021,818	5,642,041	2,894,480
Warrant derivative liability		415,584	204,670	415,584	204,670
Other payables		19,006,920	10,403,810	18,127,849	9,717,841
Accruals and deferred income		2,766,255	1,344,775	2,510,094	1,189,779
		<u>30,488,603</u>	<u>15,494,388</u>	<u>29,613,862</u>	<u>14,534,633</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 £31,168 (2019: £50,236) as at 31 December 2020.

During the year the Group borrowed additional funds from its bankers under a term loan totalling £2,900,000. 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.

17 Non-current liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Other borrowings	18	1,919,048	700,000	1,919,048	700,000
		<u>1,919,048</u>	<u>700,000</u>	<u>1,919,048</u>	<u>700,000</u>

18 Borrowings

	Group 2020 £	2019 £	Company 2020 £	2019 £
Other loans	3,900,000	1,000,000	3,900,000	1,000,000
	<u>3,900,000</u>	<u>1,000,000</u>	<u>3,900,000</u>	<u>1,000,000</u>
Payable within one year	1,980,952	300,000	1,980,952	300,000
Payable after one year	1,919,048	700,000	1,919,048	700,000
	<u>1,980,952</u>	<u>300,000</u>	<u>1,980,952</u>	<u>300,000</u>
	<u>1,919,048</u>	<u>700,000</u>	<u>1,919,048</u>	<u>700,000</u>

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Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

19 Provisions for liabilities

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
	-	691,549	-	661,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Movements on provisions:

Group	£
At 1 January 2020	691,549
Reversal of provision	(691,549)
At 31 December 2020	<u> </u>
	<u> </u>
Company	£
At 1 January 2020	661,500
Reversal of provision	(661,500)
At 31 December 2020	<u> </u>
	<u> </u>

Unrecoverable sales taxes represents sales taxes for jurisdictions where no sales tax registration is in effect. In the current year, registrations for these jurisdictions have been completed, but the amounts remain unpaid and the amounts are held within accruals in current liabilities.

20 Retirement benefit schemes

	2020	2019
	£	£
Charge to profit or loss in respect of defined contribution schemes	149,025	218,609
	<u> </u>	<u> </u>

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 £35,181 (2019: 37,064) were payable to the fund at the reporting date and are included in creditors.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

21 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
163,866 (2019: 151,660) Ordinary shares of 1p each	1,429	1,517
45,328 (2019: 45,328) Ordinary A shares of 1p each	407	453
59,928 (2019: 59,928) Ordinary A2 shares of 1p each	321	599
154,719 (2019: 154,719) Ordinary A3 shares of 1p each	1,547	1,547
101,262 (2019: nil) Ordinary A4 shares of 1p each	1,547	-
	<u>5,251</u>	<u>4,116</u>

During the period 12,206 Ordinary shares were issued as a result of share options been exercised, following a fund raise 101,262 Ordinary A4 shares of £0.01 were issued and a share premium of £23,343,969 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 A3 Ordinary shares shall be paid first in any asset distribution, followed by A4 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.

22 Share-based payment transactions

The company operates an EMI qualifying share option scheme. As at the date of the Statement of Financial Position, the company had granted 39,787 EMI qualifying share options with exercise prices of £0.01, £1.42, £2.01 and £13.28.

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

Group	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 £	2019 £
Outstanding at 1 January 2020	43,732	34,602	6.54	0.98
Granted	14,421	23,250	4.27	7.27
Forfeited	(6,111)	(6,253)	5.04	0.04
Exercised	(12,206)	(7,333)	0.93	0.02
Expired	(49)	(534)	0.82	0.01
	<u>39,787</u>	<u>43,732</u>	<u>5.84</u>	<u>6.54</u>

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

22 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:

	2020	2019
Weighted average share price	108.00	117.00
Weighted average exercise price	13.28	0.01
Expected volatility	100.00	100.00
Expected life	4.00	4.00
Risk free rate	0.84	0.84
Expected dividends yields	0.84	0.84

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	136,419	1,255,835	136,419	1,255,835

23 Reserves

Share premium

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.

Retained earnings

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

24 Disposals

On 17 March 2020 the group disposed of its 100% holding in DevMate Inc. Included in these financial statements are profits of £3,077 arising from the group's interests in DevMate Inc up to the date of its disposal.

Paddle.com Market Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

25 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 2020 £	2019 £	Company 2020 £	2019 £
Within one year	390,600	1,447,765	390,600	1,447,765
	<u>390,600</u>	<u>1,447,765</u>	<u>390,600</u>	<u>1,447,765</u>

26 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.

Revenue of £1,688,164 (2019: 2,260,953) generated from Hilderbrand Technology Limited. A major shareholder of Hilderbrand Technology Limited is also a director of the parent company. As at 31 December 2020, £494,383 (2019: 165,395) was payable to Hilderbrand Technologies Limited.

The group disposed of DevMate Inc. to Hilderbrand Technologies Limited on 17 March 2020 for £1 consideration, generating a profit of £3,077.

Revenue of £nil (2019: £573) was generated from Creatable, which has a common director with the company. At 31 December 2020, £nil (2019: £1) was payable to Creatable.

27 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 2020

28 Cash generated from group operations

	2020	2019
	£	£
Loss for the year after tax	(7,031,735)	(15,737,312)
Adjustments for:		
Taxation credited	(383,168)	(523,710)
Finance costs	517,313	207,918
Loss on disposal of property, plant and equipment	14,157	92,640
Amortisation and impairment of intangible assets	19,068	55,158
Depreciation and impairment of property, plant and equipment	143,940	171,971
Foreign exchange gains on cash equivalents	-	180,810
Equity settled share based payment expense	136,419	1,255,835
(Decrease)/increase in provisions	(691,549)	691,549
Movements in working capital:		
(Increase) in trade and other receivables	(1,184,377)	(1,049,107)
Increase in trade and other payables	13,102,349	9,072,102
Cash generated from/(absorbed by) operations	4,642,417	(5,582,146)

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