

Company number: 07653641 (England and Wales)

PPRO FINANCIAL LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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PPRO FINANCIAL LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

Directors	Simon Black Götz Möller Stefan Merz	Appointed 1 June 2019 Appointed 1 June 2019
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Registered Office	20 Balderton Street London W1K 6TL United Kingdom
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Auditors	BDO LLP 55 Baker Street London W1U 7EU
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PPRO FINANCIAL LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and the financial statements for the year ended 31 December 2019.

Business review

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

There was no change in the basis of preparation of the company's accounts in 2019 compared to the previous financial year.

During the year the company has continued the process of extending our service offering by integrating new payment methods for our customers into the PPRO platform. The relevant costs for these have been capitalised as intangible fixed assets (additions of €3m in 2019) with a total net book value as at 31 December 2019 of €5m (2018: €13m). These assets are being amortised over their useful economic life of 10 years.

The year to 2019 can be described as a transformational year for PPRO. In order to fully focus on the Acquiring business, PPRO in 2019 decided to restructure and carve out the trade and assets to one of the group companies and ultimately sell the Issuing business. This would allow Financial Ltd to focus on the acquiring side of the business where management believes the company is best placed to succeed. This carve out transaction led to one-off costs being taken by Financial Ltd in 2019; primarily impairment of the inventory held by Financial Ltd which could no longer be used, and the impairment of the customer base intangible asset with other issuing related software which would no longer hold any value to the company. These costs amounted to €8.4m which were fully expensed in the profit and loss account.

Total turnover for the company increased by 2% to €36.4m (2018: €35.8m). In 2019 from 1st January until the carve-out on 30th September, the company had two business units: payment processing revenue (acquiring) increased by 65% to €25.6m (2018: €15.3m) and e-money (issuing) revenue decreased by 46% to €10.9m (2018: €20.2m). This decrease was due to the carve out that was completed by September 2019 leaving PPRO Financial Ltd with the acquiring business unit at year end. The gross profit margin increased by 6% to €24m (2018: €22.7m). This was a result of improved pricing for payment processing, increased non transactional revenues and an increase in our non-deductible input tax.

Consistent with the increased trading activity and profit generation, there has also been a significant increase in administrative costs from €30.2m in 2018 to €42.1m in 2019. This is predominantly due to the increased employee expenses throughout the PPRO group that have been recharged to PPRO Financial and the aforementioned one off costs relating to the issuing carve out.

In 2020 the company intends to invest further in acquiring services. As a result, increased revenues are expected to lead to a higher overall profit in future years.

The company has acted as a guarantor to its parent company, PPRO Holding GmbH which has a loan of €10.3m from Harbert Speciality Funds as at 31 December 2019. This includes an additional €8.2m in 2019 that was agreed upon with Harbert in 2019 and drawn down in the year by PPRO Holding GmbH according to the terms of the agreement. Repayment of instalments commenced in 2017 and the loan will be fully repaid in November 2021.

The financial performance indicator EBITDA has decreased from last year, despite acquiring revenue increasing, due to the loss of issuing revenue since the carve out, one off costs relating to the carve out transaction and an increase in the cost base of the business to strategically grow the company and increase future revenues.

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

	2019	2018
	€	€
Turnover	36,448,701	35,777,819
Gross profit	24,008,436	22,710,499
Operating (loss)/profit	(11,886,601)	85,518
EBITDA *	(9,180,402)	3,547,675
Software Development	4,767,093	4,195,654

* Earnings before Interest, Taxes Depreciation and Amortisation (EBITDA) excluding the issuing Carve Out costs of €8.4m would be €(0.8)m.

Outlook

Overall, the Group's financial performance in 2019 was in line with revenue growth in payment processing and positive EBITDA for this business unit. The Group has continued and will continue to make significant investments in technology and people to drive this growth.

Whilst the spread of the coronavirus had the potential to have a substantial impact on the world economy in 2020, with a potential risk to the original plans for business development and earning opportunities for PPRO Financial Ltd, it actually provides substantial opportunities for PPRO as well due to an acceleration of the move towards electronic commerce. In fact, as per 30 June 2020, PPRO was in line with its original revenue expectations. Management will continue to review forecasting of revenues and costs, in line with objectives and key results (OKR's) to ensure resources are used in the most efficient and effective manner to mitigate possible effects of the the COVID-19 crisis on its business activities.

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

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

Principal risks and uncertainties

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

Regulatory risks

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

The company has taken measures to ensure it is compliant with its regulatory requirements as an FCA authorised payment institution for the year ending 31 December 2019 refer to (note 25). In particular the company strictly fulfils the following legislative requirements under the UK Electronic Money Regulations 2011 ("EMRs"):

1. Regulation 19(1): maintaining at all times own funds equal to or in excess of (i) EUR 350,000 or (ii) the amount of own funds requirement calculated in accordance with paragraph 13 of Schedule 2 (subject to adjustment by the FCA);
2. Regulation 20(1), (2): safeguarding funds that have been received in exchange for electronic money that has been issued (referred to as "relevant funds" within the EMRs) in accordance with regulation 21;
3. Regulation 21(1)-(5): Safeguarding relevant funds by
 - segregating relevant funds from any other funds the company holds [Regulation 21(1)];
 - placing relevant funds in a separate account the company holds with an authorised credit institution based in the EEA [Regulation 21(2)(a)];
 - Ensuring such an account is designated in a manner that demonstrates it is an account held for the purpose of safeguarding relevant funds [Regulation 21(3)(a)];
 - Ensuring such account is only used for holding such funds [Regulation 21(3) (b)].
4. Regulation 21(5): Keeping adequate records of relevant funds held.

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

Market risks

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

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

In the event of an international health emergency as declared by the World Health Organization (as is currently the case with the coronavirus), the global market in which PPRO operates will undoubtedly be affected. The spread of the coronavirus will have a significant impact on the business development and earning opportunities for PPRO. Management will continue to review forecasting of revenues and costs, in line with objectives and key results (OKR's) to ensure resources are used in the most efficient and effective manner to mitigate any downturn in global market activity.

PPRO FINANCIAL LTD

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risks

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

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

Credit risk

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

Going Concern

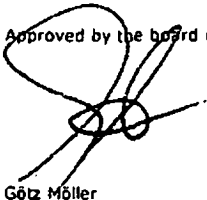
As a result of the global spread of the coronavirus (SARS-CoV-2), in the first months of 2020, management has prepared a scenario-based forecast for 2020 and the following years, which takes into account potential market developments resulting from the pandemic. Whilst there are uncertainties as to what the impact will be over the course of the year, through regular reforecasting, management assumes that the spread of the coronavirus will not have a significant negative impact on the financial performance of PPRO Financial Ltd, but might merely have an impact on the growth of the business. As per 30 June 2020 this was not the case. Performance subsequent to the emergence of COVID-19 has been in line with original budgets, plus PPRO Holding GmbH, the parent company in Germany, is willing and has the ability to support PPRO Financial Ltd should there be a need to do so. Employees have been able to seamlessly work from home during the pandemic. Management will review office opening procedures when appropriate using government guidance with employee health and safety paramount in any decisions made.

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

Environmental and employee matters

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

Approved by the board on 14th August 2020 and signed on its behalf by:



Götz Möller
Director

PPRO FINANCIAL LTD

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors

The following directors have held office in the current year:

Simon Black
Götz Möller (Appointed 1 June 2019)
Stefan Merz (Appointed 1 June 2019)
Ian M Ladd Gibbon (Resigned 17 June 2019)

There are no other changes in the above from 1 January 2019 to the date that the accounts are signed.

Going Concern

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

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

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

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

Dividends

The directors do not recommend making payments by way of dividend (2018: nil).

Disclosure of information to the auditors

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

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

Auditor

A resolution to re-appoint BDO LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Board of Directors on 14th August 2020 and signed on its behalf by:



Götz Möller
Director

PPRO FINANCIAL LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period.

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of PPRO Financial Limited ("the Company") for the year ended 31 December 2019 which comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flow, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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

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 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.

Other information

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

PPRO FINANCIAL LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PPRO FINANCIAL LTD (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

14 August 2020

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

PPRO FINANCIAL LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 C	2018 C
Revenue	2	36,448,701	35,777,819
Cost of sales		(12,440,265)	(13,067,320)
Gross profit		24,008,436	22,710,499
Administrative expenses		(42,057,298)	(30,210,183)
Other operating income	3	6,162,261	7,585,202
Operating (loss)/profit	4	(11,886,601)	85,518
Interest receivable and other financial income	7	13,160	1,982
Interest payable and other financial expense	8	(30,917)	(16,205)
(Loss)/profit on ordinary activities before taxation		(11,904,358)	71,295
Tax on profit on ordinary activities	9	1,101,012	487,563
(Loss)/profit for the financial year		(10,803,346)	558,858
Other Comprehensive Income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Valuation movement on equity investments	18	246,880	94,767
Tax related to items that will not be reclassified	9	(46,907)	(16,111)
<i>Items that will or may be reclassified to profit or loss:</i>			
Valuation movement on equity investments		-	-
Tax related to items that will not be reclassified		-	-
Other comprehensive income for the year, net of tax		199,973	78,656
Total comprehensive (loss) / income for the year		(10,603,373)	637,514

The notes on pages 15 to 28 form an integral part of these financial statements

PPRO FINANCIAL LTD

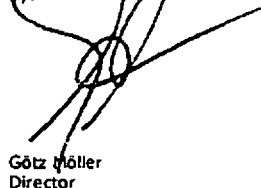
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 €	2018 €
Assets			
<i>Non-current assets</i>			
Intangible assets	11	5.284.626	13.225.105
Property, plant and equipment	12	74.822	85.054
Right of use asset	12	34.821	-
Fair value through other comprehensive income investments	18	794.069	547.190
Deferred tax asset	10	1.388.281	-
Total non-current assets		7.576.619	13.857.349
<i>Current assets</i>			
Inventories	13	-	158.045
Trade and other receivables	14	4.211.708	6.185.027
Cash at bank and in hand		592.970	392.386
Total current assets		4.804.678	6.735.458
Total Assets		12.381.297	20.592.807
Equity and liabilities			
<i>Capital and reserves</i>			
Called up share capital	16	542.625	542.625
Capital reserves	17	12.457.500	8.457.500
Other reserves	17	168.143	168.143
Equity investment (available-for-sale 2017) reserve	17	708.828	508.855
Profit and loss account	17	(7.186.475)	3.616.872
Total Equity		6.690.621	13.293.995
<i>Non-current liabilities</i>			
Deferred tax liabilities	10	376.343	592.805
<i>Current liabilities</i>			
Trade and other payables	15	5.314.333	6.706.007
Total equity and liabilities		12.381.297	20.592.807

The notes on pages 15 to 28 form an integral part of these financial statements

The financial statements on pages 3 to 28 were approved and authorised for issue by the Board of Directors on 14th August 2020 and were signed on its behalf by:


Götz Möller
Director

PPRO FINANCIAL LTD

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019

	Share Capital	Capital Reserve	Equity Investment reserve	Other Reserves	Retained Earnings	Total Equity
	€	€	€	€	€	€
Balance at 01 January 2018	542.625	8.457.500	430.199	168.143	3.058.014	12.656.481
Profit/(Loss) for the year	-	-	-	-	558.858	558.858
Other comprehensive income	-	-	-	-	-	-
- revaluation gain on Visa Inc. share	-	-	78.656	-	-	78.656
Balance at 31 December 2018	542.625	8.457.500	508.855	168.143	3.616.872	13.293.995
Balance at 01 January 2019	542.625	8.457.500	508.855	168.143	3.616.872	13.293.995
Increase in capital reserves	-	4.000.000	-	-	-	4.000.000
(Loss) for the year	-	-	-	-	(10.803.347)	(10.803.347)
Other comprehensive income	-	-	-	-	-	-
- revaluation gain on Visa Inc. share	-	-	199.973	-	-	199.973
Balance at 31 December 2019	542.625	12.457.500	708.828	168.143	(7.186.475)	6.690.621

PPRO FINANCIAL LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
(Loss)/profit for the year		(10,803,346)	558,858
Adjustment for:			
Depreciation, amortisation and impairment charges	11, 12	11,194,554	3,941,553
Net interest payable		17,757	14,223
Tax (credit)		(1,101,012)	(487,563)
Exchange gain on third party deposits		(15,068)	-
		(707,116)	4,027,071
Decrease in trade and other receivables		584,129	897,328
Decrease in inventories		158,045	132,819
(Decrease)/Increase in trade and other payables		(1,332,731)	566,730
Cash (loss)/generated from operations		(1,297,673)	5,623,948
Tax received/(paid)		784,361	(502,871)
Net cash (outflow)/inflow from operating activities		(513,312)	5,121,078
Investing activities			
Investment in intangible assets		(3,221,822)	(5,092,505)
Purchase of tangible fixed assets		(22,021)	(682)
Deposits paid		(44,373)	-
Deferred Cash consideration received		54,689	-
Capitalisation of Right of Use asset		(34,821)	-
Net cash used in investing activities		(3,268,349)	(5,093,187)
Financing activities			
Cash proceeds from capital investment		4,000,000	-
Interest received		13,160	1,982
Interest paid		(30,917)	(16,205)
Net cash from/(used in) financing activities		3,982,243	(14,223)
Net increase in cash and cash equivalents		200,582	13,668
Cash and cash equivalents at beginning of year		392,386	378,718
Cash and cash equivalents at end of year		592,968	392,386

The notes on pages 15 to 28 form an integral part of these financial statements

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Basis of preparation

The financial statements of PPRO Financial Ltd at 31 December 2019 have been drawn up in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The designation IFRS also includes all valid International Accounting Standards (IAS). All Interpretations of the IFRS Interpretations Committee (IFRIC) mandatory for the financial year 2019 are also applied.

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

The financial statements are prepared on a going concern basis.

As a result of the global spread of the coronavirus (SARS-CoV-2), in the first months of 2020, management has prepared a scenario-based forecast for 2020 and the following years, which takes into account potential market developments resulting from the pandemic. There are major uncertainties as to how the negative impact will turn out over the course of the year. However, through regular reforecasting, management assumes that the spread of the coronavirus will not have a significantly negative impact on the financial performance of PPRO Financial Ltd, but merely have an impact on the growth rate of the business. Therefore, management have concluded that the business should be considered as a going concern.

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

1.1 Changes in accounting policies

(a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (IFRS 16)

Details of the impact this standard has had are given in note 1.2 below

(b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

PPRO Financial Ltd is currently assessing the impact of these new accounting standards and amendments.

1.2 Accounting policies

The Company adopted IFRS 16 in the year and has not restated comparatives as the modified retrospective adoption method of IFRS 16 was chosen. Therefore, the company has only recognised applicable leases on the balance sheet as at 1 January 2019

IFRS 16 Leases

1 Jan 2019

The company has assessed the present value of the leased asset and liability in accordance with the following calculations and assumptions:

- A discount rate of 10.75% was used - this equals a group loan annual interest rate which is the best representative of the companies cost of capital.
- The lease terms that were used in the assessment were on a lease by lease basis. The terms of the lease assessment were in accordance with - non-cancellable period of the lease, periods covered by an option to extend the lease as well as period of termination.
- PPRO considered all fixed payments, variable payments, residual value guarantee, purchase options and previous payments made for calculating the value of the lease liability.
- PPRO assessed if there are low-value assets, i.e. leased assets with an asset value of less than EUR 5,000
- There are also no short-term leases, i.e. leases with an initial lease term of less than 12 months.
- Extension periods are considered if it is reasonably certain that the lease term is extended
- PPRO considered all lease liability, initial direct costs, cost of removal, costs to restore and previous payments made for the value of the right-of-use asset

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Low value assets:

Low value items are valued according to the value of the underlying asset. PPRO has considered the fair value of the assets within the group and has taken the appropriate exemptions to account for these leases with the Income Statement.

Short term leases:

Short term leases are all leases with an initial lease term of less than 12 months.

The impact of IFRS 16 on the business is illustrated below:

Property, plant and equipment - Office Building Lease

The opening asset and liability recognised as at 1st Jan 2019 was C165,595. There was no adjustment needed to opening reserves due to the lease being for office space.

	Office Lease	TOTAL
Right-of-use asset		
Depreciation during the period	135.377	135.377
Carrying amount as of 31.12.2019	34.821	34.821
Liability		
Interest expenses from leases		11.618
Other		3.158
Expenses relating to short-term leases (<12 month)		
Total cash outflow		181.452

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

Revenue recognition

Revenue represents amounts earned from payment processing transactions and for facilitating e-money and prepaid card accounts for consumer and corporate clients.

E-money and prepaid card upfront revenue:

The VIABUY Prepaid Mastercard is based on prepaid funds with an own card account with 24/7 access to incoming and outgoing payments as a great alternative to an online banking account. This revenue is also classified as issuing revenue and was carved out of Financial Ltd in 2019.

IFRS 15 provides a standardised five-step model to recognize all types of revenue earned from customer contracts. Below are the 5 steps followed to recognise revenue from customer contracts.

1. Identify the contract(s) with a customer

Viabuy customers approve the contract through accepting our terms & conditions on the website, when they sign up for the card. Customers are committed to perform their obligations from the moment they load fees onto the card. PPRO has a right to receive the issuing fees, annual fees and transactional fees as documented in the fee list. The payment terms are that the issuing and annual fees are to be paid upfront through the loading of funds onto the card.

2. Identify the performance obligations in the contract

PPRO provides a VIABUY card to the customer on which a one time card issuing fee is levied. PPRO's obligation is performed when the cards are shipped and delivered to the customer. PPRO provides a service to the customer using the prepaid card and account which results in a yearly fee. The obligation is performed throughout the year as services are rendered and the yearly revenue fee is recognised proportionally throughout the year. PPRO provides other distinct services to allow the card holder to load his card and pay for goods and services, this results in loading and usage fees that is recognised as revenue as and when the customer loads and uses his card.

3. Determine the transaction price

The transaction prices are set out on the viabuy website. <https://www.viabuy.com/pricing-and-fees.html>

Issuing fee - Payable upfront for the card

Yearly fees - Payable upfront for the full year

Transaction fees - These are either fixed fees related to a specific service or a % of the value of the processed transaction.

4. Allocate the transaction price to the performance obligations in the contract

PPRO has a price list for each performance obligation and recognizes the revenue as each performance obligation is met.

5. Recognise revenue when (or as) the entity satisfies a performance obligation

PPRO recognises the allocated prices as set out in step 3 above as it meets its obligations

Payment processing revenue:

Revenue from processing service charges and similar services are recognized as revenue when the services are performed. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. Revenue is recognized when the price is fixed and determinable. Revenue is recognized either as a fee calculated as a percentage of funds processed or as a fixed charge per transaction pursuant to the respective contractual agreement.

Intangible Assets

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Financial Assets

Financial assets are recognized in the statement of financial position if the company has a contractual right to receive cash or cash equivalents or other financial assets from some other party. Financial assets are reported and evaluated in accordance with IFRS 9 (Financial Instruments: Recognition and Measurement). IFRS 9 has been applied to the current year numbers and that prior year comparatives remain under previous accounting standards for which the accounting policies have been included below.

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

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

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

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

Fair value through profit or loss

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

Fair value through other comprehensive income investments

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

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

Amortised cost

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

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

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

Derecognition

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

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

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

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

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Cash and cash equivalents

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

Trade receivables impairment provisions

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

Financial liabilities

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

Liabilities measured at amortised cost

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

Fair value of financial instruments

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

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

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued by the company are recognized at the proceeds received net of direct issue costs in share capital and capital reserve.

Contingent liabilities and receivables

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

Provisions

Provisions are recognized if the company has an obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfil the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported under liabilities. The costs of setting up provisions are reported in the income statement. Gains resulting from the reversal of provisions are recognized under other operating income.

Related parties

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

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Foreign exchange

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

If foreign exchange occurs the company will handle as following:

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

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

1.3 Critical accounting estimates and judgments

Revenue

When Viabuy customers accept the terms and conditions online to obtain a Viabuy prepaid card, PPRO fulfils the contractual obligations by sending out the prepaid cards to the end customers. The performance obligation is satisfied and subsequently revenue is recognised.

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

Impairment of Intangible assets

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Income and deferred taxes

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

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

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

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

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

Leasing

Due to the introduction of IFRS16 in 2019, leases are now assessed at inception in line with the standard (see note 1.2). The company adopted the modified retrospective approach which meant comparatives were not restated. There was also no adjustment to opening reserves as the only qualifying lease is for office space where the right of use asset equals the lease liability. Previously, in line with IAS 17, at inception of an arrangement the company would determine whether the arrangement was or contained a finance or an operating lease.

Regarding the comparative period, payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

PPRO FINANCIAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)
2. Revenue

The two main revenue generating business segments are: payment processing and e-money services. During the year, the segment revenues are split as follows:

	2019	2018
	€	€
Payment Processing	25,598,211	15,543,563
E-Money	10,850,490	20,234,256
Total	36,448,700	35,777,819

Deferred and Accrued revenue for contracted assets and liabilities:

	2019	2018
	€	€
Opening deferred revenue balance	879,522	297,723
Closing deferred revenue balance	-	879,522
Revenue recognised as a result of deferred revenue	879,522	524,105
Accrued revenue	-	792,314

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

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

	Payment Processing		E-Money B2C	
	2019	2018	2019	2018
	€	€	€	€
Primary Geographical Markets				
Germany	3,558,612	1,868,489	2,518,117	6,833,772
France	315,479	49,916	1,749,714	3,244,641
Netherlands	7,102,400	5,632,371	878,533	2,367,391
Italy	244,094	82,856	765,896	2,137,234
Austria	2,072,925	449,866	1,257,100	1,217,716
Poland	4,539,658	3,487,435	142,127	179,200
Belgium	2,537,667	1,625,010	951,686	779,321
Czech Republic	47,160	9,409	3,130	306,135
Luxembourg	6,294	1,087	8,427	223,097
Other countries	5,173,922	2,337,124	2,575,760	2,945,749
Total	25,598,211	15,543,563	10,850,490	20,234,256

The effect of initially applying IFRS 15 on the revenue from contracts with customers is described in Note 1.2

3. Other operating income

Other operating income is made up of:

	2019	2018
	€	€
Income from provision of services to other Group companies	6,061,909	7,322,403
Other income	100,352	262,799
Total	6,162,261	7,585,202

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

4. Operating profit

Operating profits stated after charging:

	2019 €	2018 €
Depreciation	166.558	31.778
Amortisation	2.539.640	3.430.379
Auditors' remuneration for audit services	88.000	69.600
Auditors' remuneration for non-audit services	43.710	27.876
Marketing & selling costs	15.545.231	13.486.063
Foreign currency gains and losses	8.652	49.480
Research and development cost expensed	895.040	1.664.377
Non-deductible VAT	2.323.240	854.059
Rent/Leases	9.679	183.727

5. Particulars of employees

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

	2019 No.	2018 No.
Administration and support	61	62
Production	27	25
Research and development	2	5
Sales, marketing and distribution	37	35
Other departments	2	1
Total	129	128

The aggregate payroll costs were as follows:

	2019 €	2018 €
Wages and salaries	9.902.456	9.001.535
Social security costs	1.504.579	1.444.358
	11.407.035	10.445.893

6. Directors Remuneration

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

	2019 €	2018 €
Remuneration (including benefits in kind)	722.246	616.522

The remuneration includes employer pension contributions of €27,364 (2018: €23,885).

The remuneration includes amounts recharged from another Group company for €215,615 (2018: €174,873).

The highest paid director's remuneration amounted to €415,603 (2018: €267,070).

7. Interest receivable and other financial income

	2019 €	2018 €
Bank interest receivable	7.203	1.982
Interest on loans to group undertakings	5.957	-
	13.160	1.982

8. Interest payable and other financial expense

	2019 €	2018 €
Other interest payable	30.917	16.205
	30.917	16.205

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

9. Taxation

Tax on profit on ordinary activities	2019 £	2018 £
Analysis of tax charge/(credit) for the period		
Current tax		
UK corporation tax at 19.00% (2018: 19.00%)	-	(228,564)
Adjustment in respect of prior periods	550,637	(748,549)
Total current tax charge/(credit)	550,637	(977,113)
Deferred tax		
Origination and reversal of temporary differences	(4,910)	236,035
Adjustments in respect of prior periods	(258,195)	253,515
Total deferred tax (credit)/charge	(263,105)	489,550
Tax on profit on ordinary activities	287,532	(487,563)
Tax relating to other comprehensive income		
Deferred tax		
Origination and reversal of temporary differences	46,642	16,111
Tax relating to other comprehensive income	46,642	16,111
Provision for deferred tax		
Fixed asset temporary differences	239,855	500,454
Short term temporary differences	1,496	(672)
Capital gains/(losses)	134,992	93,023
Tax losses carried forward	(1,388,281)	-
Total deferred tax (asset)/Liability	(1,011,938)	592,805
Movement in provision:		
Provision at start of the period	592,805	87,144
Deferred tax charged in the statement of comprehensive income for the period	(1,346,548)	489,550
Deferred tax charged in the statement of comprehensive income	(258,195)	16,111
Provision at end of period	(1,011,938)	592,805
Reconciliation of tax charge		
Profit on ordinary activities before tax	(11,904,358)	71,295
Tax on profit on ordinary activities at standard CT rate of 19% (2018: 19%)	(2,261,828)	13,546
Effects of:		
Fixed asset differences	-	341,787
Expenses not deductible for tax purposes	1,016,089	6,534
Additional deduction for R&D expenditure	-	(407,890)
Amount not recognised	(530,483)	-
Surrender of tax losses for R&D tax credit refund	-	73,380
Adjustments to tax charge in respect of previous periods	292,442	(760,934)
Adjustments to tax charge in respect of previous periods - deferred tax	-	253,515
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	-	12,385
Current tax (current period) exchange difference arising on movement between opening and closing spot rates	-	7,883
Effects of group relief/other reliefs	387,678	-
Effective changes in tax rates	(4,910)	(27,769)
Tax (credit)/charge for the period	(1,101,012)	(487,563)

10. Deferred tax

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

	2019 £	2018 £
Deferred tax asset arising from tax losses carried forward	1,388,281	-
Deferred tax liability:		
Arising on income recognized in other comprehensive income:		
Fair value re-measurement of available for sale financial assets	134,992	16,111
Arising from accelerated capital allowances	241,351	576,694
Deferred tax liability at period end	376,343	592,805

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

11. Intangible assets

	Licenses C	Development Costs C	Customer Relationships C	Total C
Cost				
Balance at 1 January 2018	977.463	3.779.984	13.017.912	17.775.359
Additions	31.490	1.892.200	3.168.815	5.092.505
Transfer	11.400	(11.400)	-	-
Balance at 31 December 2018	1.020.353	5.660.784	16.186.727	22.867.864
Balance at 1 January 2019	1.020.353	5.660.784	16.186.727	22.867.864
Additions	167.002	2.172.747	882.073	3.221.822
- of which internally developed	-	2.169.041	-	2.169.041
- of which acquired	167.002	3.705	882.073	1.052.780
Transfer	169.346	(73.853)	(95.494)	-
Balance at 31 December 2019	1.356.701	7.759.678	16.973.307	26.089.686
Accumulated Amortisation and Impairment				
Balance at 1 January 2018	471.980	660.303	4.662.760	5.795.043
Amortisation	114.138	387.511	2.928.729	3.430.379
Impairment	21	417.316	-	417.337
Balance at 31 December 2018	586.139	1.465.130	7.591.489	9.642.759
Balance at 1 January 2019	586.139	1.465.130	7.591.489	9.642.759
Amortisation	91.530	527.700	1.920.410	2.539.640
*Impairment	161.498	999.756	7.461.407	8.622.661
- of which internally developed	-	968.933	-	968.933
- of which acquired	161.498	30.823	7.461.407	7.653.728
Balance at 31 December 2019	839.168	2.992.586	16.973.307	20.805.060
Carrying amounts				
At 31 December 2018	434.214	4.195.653	8.595.238	13.225.105
At 31 December 2019	517.534	4.767.092	-	5.284.626

* Impairment loss resulted from analysis of intangible assets when carving out the Issuing business in 2019. The impairment loss is recognised in administrative expenses in the statement of comprehensive income for the year ended 31 December 2019.

PPRO FINANCIAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)
12. Property, plant and equipment

	Fixtures and fittings	Office furniture & Equipment	Computer equipment	Total
Cost	€	€	€	€
Balance at 1 January 2018	49,436	118,664	6,924	175,024
Additions	-	42	640	682
Transfer	-	(10,547)	10,547	-
Balance at 31 December 2018	49,436	108,159	18,111	175,706
Balance at 1 January 2019	49,436	108,159	18,111	175,706
Additions	-	-	22,021	22,021
Transfer	-	-	-	-
Balance at 31 December 2019	49,436	108,159	40,132	197,727
Accumulated Depreciation				
Balance at 1 January 2018	13,733	39,222	5,919	58,874
Depreciation	16,479	9,098	6,201	31,778
Balance at 31 December 2018	30,212	48,320	12,120	90,652
Balance at 1 January 2019	30,212	48,320	12,120	90,652
Depreciation	16,478	7,520	8,255	32,253
Balance at 31 December 2019	46,690	55,840	20,375	122,905

Carrying amounts

At 31 December 2018	19,224	59,839	5,991	85,054
At 31 December 2019	2,746	52,319	19,757	74,822

Right of Use Asset

	2019 €	2018 €
Office Building (In accordance with IFRS16. Note 1.2)	34,821	-
	34,821	-

13. Inventory

Opening balance	158,045	352,923
Purchased	343,684	718,048
Issued	(300,672)	(850,867)
Impaired	(201,056)	(62,059)
Closing balance	-	158,045

The total amount of inventory relates to an average down-payment of 50% for raw materials of debit cards which are held in the inventory until they are used in the manufacturing process to get personalized with the credentials of the new cardholder and issued thereafter. These cards were disposed in 2019 as the issuing business was carved out.

PPRO FINANCIAL LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)
14. Trade and other receivables

	Note	2019 £	2018 £
Trade receivables		3,415,915	3,275,596
Amounts owed by group undertakings		-	-
Other debtors and accrued income		459,748	1,226,804
Prepayments		313,788	325,371
VAT receivable		-	-
Corporation tax asset		22,257	1,357,256
		<u>4,211,708</u>	<u>6,185,027</u>

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

15. Trade and Other payables: amounts falling due within one year

	Note	2019 £	2018 £
Trade Payables		1,765,461	1,782,857
Customer funds		176,873	986,249
Amounts owed to group undertakings		429,836	1,400,024
Corporation tax liability		-	-
Other taxes and social security		188,731	162,197
VAT liability		592,111	514,478
Accruals and deferred income		2,338,194	2,819,352
Lease Liability		-	27,099
		<u>5,314,333</u>	<u>6,706,007</u>

16. Share capital
Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
Ordinary shares of £1.00 each	100	125	100	125
Ordinary A shares of £1.00 each	<u>542,500</u>	<u>542,500</u>	<u>542,500</u>	<u>542,500</u>
	<u>542,600</u>	<u>542,625</u>	<u>542,600</u>	<u>542,625</u>

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

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

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

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

17. Reserves

	Note	2019 €	2018 €
17.1 Retained Earnings			
At 1 January		3,616,872	3,058,014
(Loss)/profit for the year		(10,803,346)	558,858
At 31 December		<u>(7,186,474)</u>	<u>3,616,872</u>

17.2 Other Reserves

		2019 €	2018 €
At 1 January		168,143	168,143
At 31 December		<u>168,143</u>	<u>168,143</u>

The other reserves relate to the foreign currency translation reserves that arose on conversion of the financial statements from GBP to EUR in 2014.

17.3 Capital reserves

		2019 €	2018 €
At 1 January		12,457,500	8,457,500
At 31 December		<u>12,457,500</u>	<u>8,457,500</u>

The capital reserves relate to the share premium on the issue of shares in the company and additional capital contributions. These reserves were increased by €4m in March 2019 to ensure FCA Capital Requirements were met.

17.4 Equity investment reserve

		2019 €	2018 €
At 1 January		508,855	430,199
Other comprehensive income		199,973	78,656
At 31 December		<u>708,828</u>	<u>508,855</u>

The Equity investment reserve relates to the revaluation gain and taxes on the VISA Inc. shares held.

18. Equity Investment

		2019 €	2018 €
VISA Inc. shares		794,069	547,190
		<u>794,069</u>	<u>547,190</u>

Movement in equity investment

	VISA Inc. Shares	Total
At 1 January	547,190	547,190
Fair value movement 2019	246,879	246,879
At 31 December	<u>794,069</u>	<u>794,069</u>

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Fair value hierarchy:

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets,

Level 2: other techniques where all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly; and

Level 3: techniques where inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Total C	Level 1 C	Level 2 C	Level 3 C
Equity investment	794.069	-	794.069	-
Total at 31 December 2019	794.069	-	794.069	-
Equity investment	547.190	-	547.190	-
Total at 31 December 2018	547.190	-	547.190	-

The VISA Inc. preference shares are classified as Level 2 equity investments. This is because there is no public market place for the VISA Inc. preference shares and none is expected to develop, accordingly it may not be possible for the company to liquidate its holding of preferred shares until converted. The value is calculated based on a number of variable inputs such as the value of the A class VISA Inc. share and the conversion rate as determined by VISA Inc.

19. Related party transactions

At the statement of financial position date the amount due to PPRO Holding GmbH, the parent company, was €33,755 (2018: €1,088,689.)

At the statement of financial position date the amount due from PPRO Technology & Services Srl, a company under common control, was €5,785 (2018: due to: €59,747).

At the statement of financial position date the amount due to PPRO Payment Services S.A., a company under common control, was €138,736 (2018: €76,052).

At the statement of financial position date the amount due to PPRO Inc, a company under common control, was €129,102 (2018: €137,376).

At the statement of financial position date the amount due to PPRO Pte, a company under common control, was €134,028 (2018: €38,160).

All loans relate to intercompany loans given for short-term growth financing.

	Income		Expenses	
	2019 C	2018 C	2019 C	2018 C
PPRO Holding GmbH	-	-	3.983.155	1.599.617
Mr. Cash Wallet Solutions LTD	3.271.917	5.821.806	2.003.359	7.148.972
Pay Plus Services GmbH	-	-	4.404.233	4.040.353
WKV Prepaid GmbH	1.952.243	1.500.597	-	-
PPRO Technology & Services Srl	-	-	486.560	638.170
PPRO Inc.	-	-	1.708.623	839.307
PPRO S.A.	837.749	-	1.390.992	575.531
PPRO PTE	-	-	837.627	106.203
	6.061.909	7.322.403	14.814.549	14.948.154

PPRO FINANCIAL LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

20. Compensation of key management personnel

Management of the company do not receive remuneration for specific services provided to PPRO Financial only. The compensation of key management personal includes amounts recharged from another Group company for €431,230 (2017: €223,074).

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

	2019	2018
	€	€
Short term employee benefits	722.246	616.522
	<u>722.246</u>	<u>616.522</u>

21. Client funds

At the year end the company held client funds of €45,197,603 (2018 €78,031,404) in designated bank accounts. The company has no beneficial interest in these funds and accordingly these funds are not recognized in the statement of financial position. Client funds held in relation to prepaid cards are held in trust accounts and as such PPRO does not have the associated risks and rewards. The company has no beneficial interest in any of the client funds and accordingly these funds are not recognised in the statement of financial position.

22. Control

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

Copies of the Group financial statements of PPRO Holding GmbH are available on request at its address at Landsberger Str. 110, Munich, Germany.

23. Contingent liability

The company has acted as a guarantor to its parent company, PPRO Holding GmbH which has a loan of €10.3m from Harbert Speciality Funds as at 31 December 2019. There was an additional €8.2m drawn down in 2019 by PPRO Holding GmbH according to the terms of the agreement. The loan will be fully repaid in November 2021.

The company has assessed that there is no significant financial impact of this contingent liability as there is a low possibility of reimbursement at this stage.

24. Post balance sheet event

As at 31 December 2019 the company is not meeting the FCA capital funds requirements. Therefore PPRO Holdings' board members agreed to transfer 3 Million Euros to PPRO Financial limited after 31 December 2019 to ensure that PPRO Financial would meet the FCA necessary capital requirements.

The cash transfer was made through the intercompany cash pooling account between PPRO Holding and PPRO Financial in February 2020.

A 5 year lease was signed in March 2020 for the rental of a new office building in London. This transaction will create a right of use asset and lease liability on the balance sheet to the value of €993k

The directors have considered the impact of COVID-19 on the Group. The directors are satisfied that this is a non-adjusting, post balance sheet event which does not materially impact the balances included in these financial statements.