

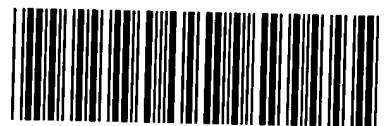
PEPPER EUROPEAN SERVICING LIMITED

Register Number: 06549766

Annual Report and Financial Statements

for the year ended 31 December 2021

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PEPPER EUROPEAN SERVICING LIMITED

Company Number: 06549766

For the year ended 31 December 2021

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PEPPER EUROPEAN SERVICING LIMITED

Company Number: 06549766

For the year ended 31 December 2021

General Information

Directors

Fraser Mcleod Gemmell

Richard Klemmer (resigned on 1 January 2022)

Stavros Makaritis (resigned on 30 November 2021)

Company Secretary

Roger Lansdowne

Registered office

Third Floor, East Suite,
Carrington House,
126-130 Regent Street,
London, England, W1B 5SE

Independent auditor

Deloitte LLP

Statutory Auditor

4 Brindley Pl, Birmingham B1 2HZ,
United Kingdom

PEPPER EUROPEAN SERVICING LIMITED

Company Number: 06549766

For the year ended 31 December 2021

Directors' Report

The directors' present their annual report and audited financial statements for Pepper European Servicing Limited (the "Company") for the year ended 31 December 2021.

The Company has taken advantage of the exemptions from including a strategic report and certain information in the directors' report, because the Company would have qualified for the small Companies' regime were the Company not a member of an ineligible group.

Principal activities

The principal activity of the Company during the period under review was as an investment holding company, with the provision of funding to group entities and related parties. The directors do not anticipate any change in the nature of the Company's principal activity going forward, and it is actively looking for new investments.

Results for the year and dividends

The statement of comprehensive income for the Company is set out on page 9.

The company's profit after tax for the year amounted to £1,926,324 (2020: £2,400,000).

A dividend of £11,512,396 was received during the current year (2020: £2,400,000). Out of the total dividend received, £3,958,288 was received from Pepper (UK) Limited and £7,554,108 was received from Pepper Financials Holding Limited. A Dividend of £3,958,288 was then distributed to Pepper Global MidCo Limited, the immediate parent of the Company.

Directors

The directors who held office during the year and up to the date of this report, except as noted, were:

Fraser Mcleod Gemmell

Richard Klemmer (resigned on 1 January 2022)

Stavros Makaritis (resigned on 30 November 2021)

Roger Stephen

The company has no employees.

Directors' interests

None of the directors held any beneficial interest in the ordinary share capital of the Company during the year, nor did they have any material contract or arrangement with the Company.

Directors qualifying third party indemnity provision

In accordance with the requirements of section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in force for the benefit of the directors of the company.

Going concern

In making the going concern assessment for the Company, the directors considered the impact of the current economic uncertainty as a result of the COVID-19 pandemic, Ukraine crisis and inflation. The current economic uncertainties are expected to have a limited impact on operations of the Company.

The investments were tested for impairment at 31 December 2021 and the Company recognised impairment loss of £9,382,647 on its investments in Pepper Financial Holdings Limited £7,554,109 and Pepper Italian Investments Limited £1,828,539, as the recoverable value of investment is less than the carrying value.

The directors have assessed the Company's liquidity position, revised business plan and projected cashflow obligations, largely consisting general administration expenses only as the Company is not engaged in any active business. For a period of at least twelve months from the date the board of directors of the Company approve the financial statements:

- The material internal lending counterparty (namely Pepper Finance H62 Limited) have agreed that any existing outstanding amounts payable to them by finance the Company will not be called for repayment to enable the Company to continue operating as going concern.
- The holding company of the Company (namely Pepper Global MidCo Limited) has also agreed to make cash available for call up to the Company to meet its debts as and when they fall due for payment to enable the Company to continue operating as going concern.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Directors' Report (continued)**Going concern (continued)**

Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they intend to continue trading and adopt the going concern basis in preparing the financial statements.

Political and charitable contributions

The Company did not make any political or charitable donations or incur any political expenditure during the year and during the comparative period.

Ultimate group internal restructure

Until 29 March 2021, the Company as part of the Pepper Group was ultimately controlled by Red Hot Australia Holdco Pty Ltd (Holdco), a company registered in Australia. Holdco was the ultimate parent because no other entity had a controlling ownership of Holdco. Holdco was classified as an investment entity and therefore did not prepare consolidated financial statements. Pepper Group Pty Limited was the largest and smallest group into which the Company was consolidated before the restructure.

On 29 March 2021, Holdco and its subsidiaries (collectively the Pepper Group) undertook a corporate restructure.

As part of the restructure, Pepper Global Topco Ltd (Topco), registered in Jersey, acquired 100% of Holdco's shares in exchange for shares issued to the previous Pepper Group shareholders to form the Pepper Global Group (Pepper Global). Topco also became the ultimate company of Pepper Global and the Company.

During the restructure, the Company sold 100% of the ordinary shares held in the Pepper Group ANZ Holdco Limited to Pepper Global Midco Limited (Midco - incorporated in Jersey). The immediate holding company Pepper Europe Investments UK Limited (PEIUK) then sold 100% of the ordinary shares held in the Company to Midco for a non-cash consideration of £57.84m. Therefore, after the restructure Midco became the immediate holding company of the Company.

As a part of restructure -

- The Company acquired all the shares of Pepper Ireland from Pepper Europe (UK) Limited for non-cash consideration of £79,191,102.63 (AU\$141,113,046.73).
- The Company acquired all the shares of Pepper Spanish Servicing, S.L.U (PSS) from Pepper Spanish Holdings Limited (PSHL) for non-cash consideration of £10,412,314.26 (AU\$18,791,311.80).
- The Company acquired all the shares of Pepper Italian Investments Limited from Pepper Europe (UK) Limited for non-cash consideration of £1,828,538.5 (AU\$3,300,000).
- The Company acquired all the shares of Pepper Cyprus from Pepper Europe (UK) Limited for £2,881,414.54 (AU\$5,200,146.45).

The group of entities above are collectively referred to as Pepper European Servicing, a loan servicing business operating in Europe.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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Company Number: 06549766

For the year ended 31 December 2021

Directors' Report (continued)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved and authorised for issue by order of the Board

A handwritten signature in black ink, appearing to read 'Fraser Mcleod Gemmell', with a stylized flourish at the end.

Fraser Mcleod Gemmell

Director

29 September 2022

Statement of Directors' Responsibilities

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 are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB.

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 their profit or loss of the Company for that year. In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Independent auditor's report to the members of Pepper European Servicing Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pepper European Servicing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes to the financial statements 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be

PEPPER EUROPEAN SERVICING LIMITED

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materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act 2006 and relevant UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Management override of controls. We assessed the design and implementation of controls which addressed the risk of override and tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

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For the year ended 31 December 2021

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception

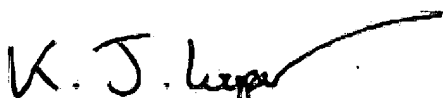
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Kieren Cooper FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham

29 September 2022

PEPPER EUROPEAN SERVICING LIMITED

Company Number: 06549766

For the year ended 31 December 2021

Statement of Comprehensive Income

For the year ended 31 December 2021

		Year ended 31 December 2021 £	Year ended 31 December 2020 £
Continuing Operations	Notes		
Dividends received	6	11,512,396	2,400,000
Loss on sale of business	11	(99)	-
		<u>11,512,297</u>	<u>2,400,000</u>
Total revenue			
Administrative expenses	7	(325,664)	-
Impairment loss	11	(9,382,647)	-
Foreign exchange gains		74,644	-
Profit before tax		<u>1,878,630</u>	<u>2,400,000</u>
Tax credit	8	47,694	-
Profit after tax for the year		<u>1,926,324</u>	<u>2,400,000</u>

The profit after tax is the same as the total comprehensive income for the year. There are no items of other comprehensive income in the year.

The accompanying notes are an integral part of these financial statements.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Statement of Financial Position

As at 31 December 2021

Assets	Notes	As at 31 December 2021 £	As at 31 December 2020 £
Non-current assets			
Investment in subsidiaries	11	95,231,829	180,000
Deferred tax asset	8	47,500	-
Total non-current assets		95,279,329	180,000
Current assets			
Income tax receivables	8	194	-
Total current assets		194	-
Total assets		95,279,523	180,000
Liabilities			
Current Liabilities			
Trade and other payables	9	268,415	-
Intercompany loans and payables	10	459,360	-
Total current liabilities		727,775	-
Total Liabilities		727,775	-
Net Assets		94,551,748	180,000
Equity			
Called up share capital	12	93,303,650	3,850
Share premium account	13	169,400	169,400
Capital contribution from parent	12	3,103,912	-
Retained earnings		(2,025,214)	6,750
Total equity		94,551,748	180,000
Total equity and liabilities		95,279,523	180,000

These financial statements were approved and authorised for issue by the Board of Directors' on 29 September 2022. These were signed on its behalf by:



Fraser Mcleod Gemmell
Director
29 September 2022

The accompanying notes are an integral part of these financial statements.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Statement of Changes in Equity

For the year ended 31 December 2021

	Called up share capital £	Share Premium Account £	Capital Contribution £	Retained earnings £	Total equity £
Balance at 1 January 2020	3,850	169,400		6,750	180,000
Profit for the year	-	-	-	2,400,000	2,400,000
Dividend paid during the year	-	-	-	(2,400,000)	(2,400,000)
Balance at 31 December 2020	3,850	169,400	-	6,750	180,000
Profit for the year	-	-	-	1,926,324	1,926,324
Dividend paid	-	-	-	(3,958,288)	(3,958,288)
Capital Contribution from parent	-	-	3,103,912	-	3,103,912
Issue of share capital	93,299,800	-	-	-	93,299,800
Balance at 31 December 2021	93,303,650	169,400	3,103,912	(2,025,214)	94,551,748

The accompanying notes are an integral part of these financial statements.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Statement of Cash Flows

	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Profit / (loss) before tax from operations	1,878,630	2,400,000
Adjustments for:		
- Loss on sale of business	99	-
- Impairment loss	9,382,647	
- Dividend revenue	(11,512,396)	(2,400,000)
	<u>(251,020)</u>	<u>-</u>
Changes in working capital:		
- Increase in Intercompany, trade and other payables	251,020	-
Cash generated from operations	<u>-</u>	<u>-</u>
- Income taxes received	-	-
Net cash generated from operating activities	<u>-</u>	<u>-</u>
Net cash used in in investing activities	<u>-</u>	<u>-</u>
Net cash generated from financing activities	<u>-</u>	<u>-</u>
Net (decrease) / increase in cash on hand and in bank	-	-
Cash on hand and in bank at 1 January	-	-
Cash on hand and in bank at 31 December	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Notes to the Financial Statements

1 General information

Pepper European Servicing Limited (the "Company") is a holding Company. The Company is a limited company, limited by shares, incorporated in the UK and domiciled in England and Wales. The address of its registered office is Third Floor, East Suite, Carrington House, 126-130 Regent Street, London, England, W1B 5SE. The Company's principal activity is disclosed in the Directors' report on page 2.

The financial statements comprise a statement of financial position, statement of comprehensive income, statement of cash flow and statements of changes in equity and related notes. These financial statements are presented in Pound Sterling because that is the currency of the primary economic environment in which the Company operates.

2 Going concern

In making the going concern assessment for the Company, the directors considered the impact of the current economic uncertainty as a result of the COVID-19 pandemic, Ukraine crisis and inflation. The current economic uncertainties are expected to have a limited impact on operations of the Company.

The investments were tested for impairment at 31 December 2021 and the Company recognised impairment loss of £9,382,647 on its investments in Pepper Financial Holdings Limited £7,554,109 and Pepper Italian Investments Limited £1,828,539, as the recoverable value of investment is less than the carrying value.

The directors have assessed the Company's liquidity position, revised business plan and projected cashflow obligations, largely consisting general administration expenses only as the Company is not engaged in any active business. For a period of at least twelve months from the date the board of directors of the Company approve the financial statements:

- The material internal lending counterparties (namely Pepper Finance H62 Limited) have agreed that any existing outstanding amounts payable to them by finance the Company will not be called for repayment to enable the Company to continue operating as going concern.
- The holding company of the Company (namely Pepper Global MidCo Limited) has also agreed to make cash available for call up to the Company to meet its debts as and when they fall due for payment to enable the Company to continue operating as going concern.

Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they intend to continue trading and adopt the going concern basis in preparing the financial statements.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of presentation

The financial statements have been prepared under the historical cost basis. The directors of the Company have elected not to prepare consolidated financial statements and exemption from consolidation has been used under IFRS 10.

The Company did not maintain a bank account for both current and prior year. Receipts and payments pertaining to the Company are transacted by its Parent Company Pepper Global MidCo Limited.

As at 31 December 2021, the Company was a subsidiary undertaking of Pepper Global MidCo Limited, a company incorporated in Jersey.

As at 31 December 2021, the ultimate parent company was Pepper Global TopCo Limited (incorporated in Jersey). Pepper Global TopCo Limited prepares group financial statements and copies can be obtained from 22, Grenville Street, St. Helier, JE4, 8PX, Jersey. Pepper Global TopCo Limited is the largest and smallest group into which the Company is consolidated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Any changes to assumptions may have a significant impact on the financial statements for the year over which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements, therefore, present the financial position and results fairly.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2021

There have been no new accounting standards implemented during the financial year which have impacted the Company's financial statements.

GBP London Interbank Offered Rate (LIBOR)

The Company was exposed to GBP LIBOR which was replaced by the Sterling Overnight Index Average (SONIA) on 31 December 2021. The Company transitioned all GBP LIBOR referenced assets and liabilities to the alternate benchmark rate SONIA prior to 31 December 2021.

To manage the transition, a steering committee was initially established by the Pepper Group to oversee the transition from GBP LIBOR to SONIA including changes to systems and processes and accounting implications.

There was no significant impact to the Company's funding or liquidity as a result of the change from GBP LIBOR to SONIA.

b) New standards, interpretations and amendments not yet effective

The following amendments to standards and interpretations are effective for future accounting periods but are not expected to have significant impact on the Company's financial statements:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Effective 1 January 2022.
- Amendment to IAS1 Classification of Liabilities as Current or Non-Current – Effective 1 January 2023
- Amendments to IAS16 Property, Plant and Equipment – Proceeds before Intended Use – Effective 1 January 2023
- Amendments to IAS37 Onerous Contracts – costs of fulfilling a contract - Effective 1 January 2022
- Annual Improvements to IFRSs: 2018-2020 Cycle: effective for annual reporting periods beginning on or after 1 January 2022

There have been no other new or amended accounting standards during the reporting period ended 31 December 2021 that have had or may have a significant impact on the financial results of the Company.

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured in Pound Sterling, being the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pound Sterling.

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Notes to the Financial Statements (continued)**3 Summary of significant accounting policies (continued)****Transactions and balances**

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the relevant transactions.

Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at period-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

All foreign exchange gains and losses recognised in the Statement of Comprehensive Income are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Foreign operations

The individual financial statements of the Company are presented in the currency of the primary economic environment in which they operate (the respective functional currencies). For the purpose of these financial statements, the results and financial position of each operation are expressed in Pound Sterling.

The assets and liabilities of the Company's foreign operation are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

Investment in subsidiaries

The investment in subsidiaries are all stated at cost less provision for impairment.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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.

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Classification and measurement of financial assets

Under IFRS 9, the classification and measurement categorises financial assets based on:

- (i) the business model within which the assets are managed; and
- (ii) whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

The three classification categories for financial assets are amortised cost, fair value through other comprehensive income and fair value through profit or loss. There are no financial assets measured at FVOCI and FVTPL.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on investments in financial assets at amortised cost that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL for all trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Having considered the credit rating of the overall group, in addition to the geographical distribution of individual counterparties, the directors have determined that the probability of default is sufficiently low such that the ECL for intercompany loans is immaterial (see note 5 for critical accounting estimates and judgments). Because all financial assets are viewed as performing there were no movements in expected credit losses between lifetime ECL and 12-month ECL for any financial assets, and as such the change in the gross carrying amounts of the financial assets, had an immaterial impact on the loss allowance.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

PEPPER EUROPEAN SERVICING LIMITED

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For the year ended 31 December 2021

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors in full,
- when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the control of the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises the financial asset to the extent of its continuing involvement in the financial asset. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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Notes to the Financial Statements (continued)**3 Summary of significant accounting policies (continued)****Revenue recognition**

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Under IFRS 15, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's and the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance do not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Dividend received

Dividends received during the period are recognised in the income statement.

Expenses

Expenses incurred have been recognised on an accrual basis.

Financial Liabilities

The Company classifies its financial liabilities as other financial liabilities as that reflects the purpose for which the liability was acquired. The Company does not have any financial liabilities that are in the category of fair value through profit or loss.

Other financial liabilities include trade and other payables, and intercompany loans and payables, which are initially recognised at fair value and subsequently carried at amortised costs using the effective interest method.

Corporate tax**Current income tax**

Current income tax charge is calculated on the basis of the applicable tax law in the jurisdiction in which it is generated by the Company's activities (see note 9). It is recognised as an expense for the period except to the extent that such current tax is charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to Other Comprehensive Income or to equity. Where the Company has tax losses that can be relieved against a tax liability for a previous period, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against any existing current tax balance.

Where tax losses can be relieved only by being carried forward and applied against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Statement of Financial Position.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The tax effects of carrying forward unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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Notes to the Financial Statements (continued)**4 Financial instruments**

The Company's activities expose it to a variety of financial risks, such as market risk (including foreign currency, interest rate and price risk), credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes.

Categories of financial instruments

		2021 £	2020 £
Financial liabilities	Basis of measurement		
Trade and other payables	Amortised cost	268,415	-
Intercompany loans and payables	Amortised cost	459,360	-
		<u>727,775</u>	<u>-</u>

The risks associated with these financial instruments and the policies applied by the Company on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Australian Dollar and Euro.

The Company's currency positions and exposures are monitored by the management on a regular basis.

As at 31 December 2021 the carrying value of the Company's net financial assets and liabilities held in individual foreign currencies expressed in Pound Sterling were as follows:

	2021 £	2020 £
Australian Dollar net liabilities	(52,464)	-
Euro net liabilities	<u>(402,111)</u>	<u>-</u>

The following exchange rates applied at 31 December 2021:

Australian Dollar 1.8628 (2020: 1.7718)

Euro 1.1913 (2020: 1.1171)

A strengthening or weakening of the Australian Dollar and Euro by 10% against Pound Sterling at 31 December 2021 would have affected the measurement of financial instruments denominated in a foreign currency and increased or decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or (loss)	
	Strengthening £	Weakening £	Strengthening £	Weakening £
31 December 2021				
Australian Dollar	(5,246)	5,246	(5,246)	5,246
Euro	<u>(40,211)</u>	<u>40,211</u>	<u>(40,211)</u>	<u>40,211</u>
31 December 2020				
Australian Dollar	-	-	-	-
Euro	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

4 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments or other cash flows. All current liabilities are payable on demand, however, the material internal lending counterparties have agreed that any existing outstanding amounts payable to them by the Company will not be called for repayment for a period of at least twelve months from the date the board of directors of the Company approve the financial statements to enable the Company to continue operating as going concern. The ultimate holding entity has also agreed to make cash available for call up to meet its debts as and when they fall due for payment repayment to enable the Company to continue operating as going concern.

Fair values

The directors consider that the carrying amount of trade and other receivables approximates to their fair value because the balances are short term and have an immaterial ECL.

The directors consider that the carrying amount of trade and other payables approximates to their fair value because the balances are short term and there are no disputes on any of the balances.

Fair value hierarchy

The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques use in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted in an active market for identical assets liabilities and the lowest priority to unobservable inputs.

Level 1 – Unadjusted quoted for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date.

Level 2 – Quoted in the markets that are not active, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the assets or liabilities that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability.

Level 3 – Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable.

The methodology and assumptions used in the estimating the fair value of financial instruments are disclosed below. The fair values together with the carrying amounts shown in the statements of financial position are as follows:

31 December 2021			Quoted	Using	With	
	Notes	Carrying	market price	observable	significant	Total Fair
		amount	Level 1	inputs	unobservable	value
		£	£	Level 2	inputs Level 3	£
Trade and other payables	9	268,415	-	-	268,415	268,415
Intercompany loans and payables	10	459,360	-	-	459,360	459,360
		727,775	-	-	727,775	727,775

31 December 2020			Quoted	Using	With	
	Notes	Carrying	market price	observable	significant	Total Fair
		amount	Level 1	inputs	unobservable	value
		£	£	Level 2	inputs Level 3	£
		NIL				

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Notes to the Financial Statements (continued)

5 Critical accounting judgments and key sources of estimation uncertainty

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements. The Company determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial period. All estimates and assumptions required in conformity with IFRSs are best estimates undertaken in accordance with the applicable standard.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. There is no key estimation and uncertainty during the year and at the year-end date that has a significant effect on the amounts of assets and liabilities within the next financial period.

The following are the critical judgements and sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements is included in the following notes:

Impairment of financial assets (sources of estimation uncertainty)

As explained in note 3, ECL are measured as an allowance equal to lifetime ECL for cash and cash equivalents, intercompany loans and receivables, for stage 1, stage 2 and stage 3. Per IFRS 9, ECL's are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. The Company's directors do

Impairment of financial assets (sources of estimation uncertainty) (continued)

not expect a difference between the 12-month ECL and the lifetime ECL, because all financial assets are short term (i.e. less than 12 months). The expectation that there is no difference between the 12-month ECL and the lifetime ECL forms the judgement made by the Company.

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of the subsidiaries or cash generating units the investments are held in. The value in use calculation requires management to estimate both the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There is estimation uncertainty within the estimation of the value in use of the subsidiaries. Where the actual future cash flows are less than expected, an impairment loss may arise.

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Notes to the Financial Statements (continued)**6 Dividend Income**

During the year, the company received Dividend as below:

	2021 £	2020 £
Pepper (UK) Limited	3,958,288	2,400,000
Pepper Financials Holding Limited	7,554,108	-
	11,512,396	2,400,000

7 Administrative expenses

The following items have been included in arriving at profit for the year:

	2021 £	2020 £
Audit Fees	17,160	-
Legal fees	254,785	-
Consulting fees	53,719	-
	325,664	-

The Company did not have any employees in the current year or prior year. The directors did not receive any remuneration in respect of their services as directors of the Company as no qualifying services were provided.

8 Taxation

	2021 £	2020 £
Income tax recognised in profit or loss		
Current tax		-
Current tax charge in respect of the current year	(194)	-
	(194)	-
Deferred Tax		
Deferred tax credit on accrued expenses	47,500	-
	47,500	-
Total Income Tax credit	47,694	-
Current tax reconciliation	2021 £	2020 £
Profit before tax for the year	1,878,630	2,400,000
Tax calculated at corporation tax rate in the UK of 19% (2020: 19%)	(356,940)	(456,000)
Effects of:		
Income not assessable for tax purposes (Dividend received, refer note 6)	2,187,337	456,000
Expenses not deductible for tax purposes	(1,782,703)	-
Deferred tax adjustment for accrued expenses (project cost)	(47,500)	-
Tax charge	(194)	-

PEPPER EUROPEAN SERVICING LIMITED

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Notes to the Financial Statements (continued)**8 Taxation (continued)**

Deferred tax reconciliation	2021	2020
	£	£
Accrual for project cost	(250,000)	-
Tax calculated at corporation tax rate in the UK of 19% (2020: 19%)	47,500	-
Tax credit	47,500	-

Factors that may affect future tax (benefits) / charges

In the Spring 2021 Budget, the Chancellor confirmed that main rate of corporation tax will remain at 19% from 1 April 2021 for the next two years. The main rate had been expected to increase to help pay the massive costs of the COVID-19 pandemic purse. However, the main rate of corporation tax will increase to 25% from 1 April 2023 for companies with profit over £250,000.

9 Trade and other payables

	2021	2020
	£	£
Accruals	268,415	-
	268,415	-

10 Intercompany loans and payables

	2021	2020
	£	£
<u>Amounts due to:</u>		
Pepper (UK) Limited	4,785	-
Pepper Finance H62 Limited	402,110	-
Pepper Group Services Australia Pty Limited	52,465	-
	459,360	-

Intercompany loans and payables are unsecured, interest free and payable within a year. They are measured at amortised cost, and that carrying value approximates its fair value.

11 Investments

	2021	2020
	£	£
Investments in group undertakings recorded at cost:		
Investments at the beginning of the year	180,000	180,000
Investments made during the year	104,434,476	-
Impairment loss	(9,382,647)	-
End of year	95,231,829	180,000

PEPPER EUROPEAN SERVICING LIMITED

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Notes to the Financial Statements (continued)**11 Investments (continued)**

Details of the Company's investments in subsidiaries at the end of the reporting period are set out below.

	2021	2020
	£	£
Pepper (UK) Limited	3,283,812	179,900
Pepper Group ANZ Holdco Limited	-	100
Pepper Financial Holdings Limited	70,636,994	-
Pepper Spanish Services, S.L.	10,665,728	-
Pepper Italian Investments Limited	-	-
Pepper Cyprus Holdings Limited	10,645,294	-
Pepper Global Servicing Investment 1 Limited	1	-
End of year	95,231,829	180,000

In the opinion of the directors the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Investment holding at the end of the year –

Name	Place of incorporation	Registered office	Ordinary shares held %	Voting power held %
Pepper (UK) Limited	England and Wales	Harman House, George Street, Uxbridge, England, UB8 1QQ	100%	100%
Pepper Ireland Financial Holdings Limited	Ireland	4th Floor, Two Park Place, Upper Hatch Street, Dublin 2, Ireland	100%	100%
Pepper Spanish Services, S.L.	Spain	Calle Albasanz, 15 – ED B, PLT 1 28037, Madrid Spain	100%	100%
Pepper Italian Investments Limited	Italy	4th Floor Reading Bridge House, George Street, Reading, Berkshire, United Kingdom, RG1 8LS	100%	100%
Pepper Cyprus Holdings Limited	United Kingdom	Carrington House, 126-130 Regent Street, London, W1B 5SE	100%	100%
Pepper Global Servicing Investment 1 Limited	United Kingdom	Harman House, 1 George Street Uxbridge, London UB8 1QQ	100%	100%

Refer to note 14, the Company as part of the Pepper Group undertook a corporate restructure. As a part of restructure –

- The Company acquired all the shares of Pepper Ireland from Pepper Europe (UK) Limited for non-cash consideration of £ 79,191,102.63 (AU\$141,113,046.73).
- The Company acquired all the shares of Pepper Spanish Servicing, S.L.U (PSS) from Pepper Spanish Holdings Limited (PSHL) for non-cash consideration of £10,412,314.26 (AU\$18,791,311.80).
- The Company acquired all the shares of Pepper Italian Investments Limited from Pepper Europe (UK) Limited for non-cash consideration of £1,828,538.5 (AU\$3,300,000).

PEPPER EUROPEAN SERVICING LIMITED

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Notes to the Financial Statements (continued)

11 Investments (continued)

- The Company acquired all the shares of Pepper Cyprus from Pepper Europe (UK) Limited for £2,881,414.54 (AU\$5,200,146.45).

The Company sold 100% of its investment in Pepper Group ANZ Holdco Limited, at a loss of £99 for non-cash consideration.

The investments were tested for impairment at 31 December 2021 and the Company recognised impairment loss of £7,554,109 on its investments in Pepper Financial Holdings Limited as the recoverable value of investment is less than the carrying value.

A dividend of £11,512,396 was received during current year (2020: £2,400,000). Out of the total dividend received, £3,958,288 was received from Pepper (UK) Limited and £7,554,109 was received from Pepper Financials Holding Limited. Dividend of £3,958,288 was then distributed to Pepper Global MidCo Limited, the immediate parent of the Company.

The Company received a distribution in kind from its wholly owned subsidiary, Pepper Ireland Finance Holdings Limited. This comprised an intercompany debt receivable amounting to £7,356,166 (EUR8,642,811) owing to the Company and cash consideration of £407,713 (EUR 479,025). The company transferred debt to wholly owned subsidiary Pepper Cyprus Holdings Limited (PCHL), in return PCHL issue and allot to the Company 7,300,695 Ordinary Shares of £1.00 each. The Company subscribed to the 35,000 ordinary shares of EUR350 each (nominal value of EUR10 each) of Pepper Greece S.A.

The company acquired 100% equity of Pepper Global Servicing Investment 1 Limited, 1 ordinary share of £1 each.

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Notes to the Financial Statements (continued)**12 Called up share capital**

Authorised, Allotted, called up and fully paid	2021	2020
	£	£
Ordinary shares of £1 each at the beginning of the year		-
Class A	3,600	-
Class B	250	-
Ordinary shares £1 each issued during the year		
Class A	-	3,600
Class B	93,299,800	250
Ordinary shares £1 each at the end of the year		
Class A	3,600	3,600
Class B	93,300,050	250
Total Share capital	93,303,650	3,850

Refer to note 14, the Company as part of the Pepper Group undertook a corporate restructure. Pepper Global MidCo Limited acquired shares in the Company from Pepper Europe Investments UK Limited for total consideration of £54.57m (AU\$ 104.4m), by additional capital contribution.

Pepper Global MidCo Limited (the ultimate holding company of the Company) subscribed to ordinary shares in the Company for an aggregate subscription value of £93.31m (AU\$168.40m) at subscription price of £1 per share in exchange waived off its receivables.

Pepper Global MidCo Limited (the ultimate holding company of the Company) add capital contribution of £3,103,912.

A dividend of £11,512,396 was received during current year (2020: £2,400,000). Out of the total dividend received, £3,958,288 was received from Pepper (UK) Limited and £7,554,109 was received from Pepper Financials Holding Limited. Dividend of £3,958,288 was then distributed to Pepper Global MidCo Limited, the immediate parent of the Company.

13 Share premium account

	2021	2020
	£	£
Balance at the beginning of the period	169,400	169,400
End of year	169,400	169,400

14 Ultimate controlling party

Until 29 March 2021, the Company as part of the Pepper Group was ultimately controlled by Red Hot Australia Holdco Pty Ltd (Holdco), a company registered in Australia. Holdco was the ultimate parent because no other entity had a controlling ownership of Holdco. Holdco was classified as an investment entity and therefore did not prepare consolidated financial statements. Pepper Group Pty Limited was the largest and smallest group into which the Company was consolidated before the restructure.

On 29 March 2021, Holdco and its subsidiaries (collectively the Pepper Group) undertook a corporate restructure.

As part of the restructure, Pepper Global Topco Ltd (Topco), registered in Jersey, acquired 100% of Holdco's shares in exchange for shares issued to the previous Pepper Group shareholders to form the Pepper Global Group (Pepper Global). Topco also became the ultimate company of Pepper Global and the Company.

During the restructure, the Company sold 100% of the ordinary shares held in the Pepper Group ANZ Holdco Limited to Pepper Global Midco Limited (Midco - incorporated in Jersey). The immediate holding company Pepper Europe Investments UK Limited (PEIUK) then sold 100% of the ordinary shares held in the Company to Midco for a non-cash consideration of £57.84m. Therefore, after the restructure Midco became the immediate holding company of the Company.

PEPPER EUROPEAN SERVICING LIMITED

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Notes to the Financial Statements (continued)**15 Related party transactions**

During the year, the Company entered into transactions with related parties in the ordinary course of business. The related party balances are unsecured, and payable on demand at arm's length. The entities are related as they share the same ultimate controlling party.

(Revenue)/expense – £

Related Party	Dividends received	Interest Income on Intergroup Loans	Dividends received	Interest Income on Intergroup Loans
	2021		2020	
Pepper (UK) Limited	(3,958,288)	-	(240,000)	-
Pepper Financials Holding Limited	(7,554,108)	-	-	-
Total	(11,512,396)	-	(240,000)	-

Refer to note 10 for a breakdown of intercompany payables. The amounts outstanding are unsecured and payable on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts.

There are no transactions with key management personnel during the year.

16 Events after the reporting period

The Directors have considered the impact of economic uncertainty from Ukraine crisis. The Directors are of the opinion that such economic uncertainties do not result in adjustment to the financial statements. (refer note 2 going concern)

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected the Company's operations, results or state of affairs.