

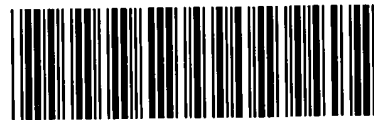
PayAlly Limited

Annual report and financial statements

for the year ended 28 February 2021

Registered number: 10600055

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Company Information

| | |
|----------------------------|--|
| Directors | Rafal Andzejewski Robert Ford |
| Registered number | 10600055 |
| Registered office | 80 Coleman Street London EC2R 5BJ |
| Independent auditor | Buzzaçott LLP 130 Wood Street London EC2V 6DL |

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Directors' report

for the year ended 28 February 2021

The directors present their report and the financial statements of PayAlly Limited ('the company') for the year ended 28 February 2021.

Results and dividends

The profit for the year, after taxation, amounted to €359,082 (2020 - €78,645).

The directors did not recommend any dividends during the year (2020 - €nil).

Directors

The directors who served during the year were:

Rafal Andzejewski
Dmitrijus Apockinas (resigned 17 May 2020)
Robert Ford

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102'). 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 or loss of the company for that period.

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

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

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

Research and development

During the year, the company capitalised €31,969 (2020: €41,320) of software development costs.

Directors' report (continued)

for the year ended 28 February 2021

Matters covered in the strategic report

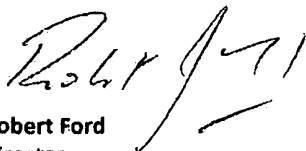
The company has chosen, in accordance with s.414C(11) of the Companies Act 2006, to set out in the company's Strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and Part 2 of The Companies (Miscellaneous Reporting) Regulations 2018 to be contained in the Directors' report. It has done so in respect of risk exposure, future developments, and engagement with suppliers, customers, and others.

Disclosure of information to auditor

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

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

This report was approved by the board on 21 December 2021 and signed on its behalf.



Robert Ford
Director

Strategic report

for the year ended 28 February 2021

Introduction

The directors present this Strategic report for the year to 28 February 2021 with the goal of providing a balanced and comprehensive analysis of the company's development in its initial accounting periods and its future outlook. The review is consistent with the current size and nature of the business.

Principal activity

The principal activity of the company is that of providing e-commerce card acquiring, currency exchange, money transfer services and prepaid card issuing.

Business review, key milestones and future developments

The company was authorised as a payment institution by the Financial Conduct Authority ('the FCA') on 3 July 2017 and then re-authorised by the FCA under PSD2 regulations on 14 February 2018. PayAlly Limited commenced trading on 7 November 2017. The directors have taken every opportunity to progress the business in line with its business plan and will continue to do so throughout the rest of 2021 and beyond.

PayAlly Limited's development in 2020/21 consisted of continuing to expand its payments and acquiring infrastructure in order to enable the company to reduce costs and improve its competitive position in the market for the provision of services to small and medium companies and introduce new products.

During the course of 2021, the company has continued making improvements to the payments infrastructure, integration of alternative payment methods, development of new products and acquisition of new customers and business.

A significant ambition for 2021 was to become a Principle Member of Mastercard. This was achieved in December 2021. However, this has affected the anticipated roll out of iOS and Android mobile PayAlly applications which likely will now be delayed to early 2022 but will complete our payments ecosystem v1.0 offering to clients.

Directors' statement of compliance with duty to promote the success of the company

The directors confirm compliance with Section 172(1) of the Companies Act 2006 in that they acted in good faith promoting the success of the company for the benefit of its stakeholders, and in doing so had regard (amongst other matters) to:

- the likely consequences of any decision in the long term by ensuring that careful consideration was given to all aspects of the likely outcome when making decisions at board level and that those decisions were made in the best interests of the stakeholders;
- the interests of the company's employees by ensuring that due consideration was given to employee equality, training, education and progress in the company, participation in shaping the company's strategy and product development, and endeavouring to maintain an employee sympathetic environment;
- the provision of reliable, safe, affordable and fair products and services to its customers, by being continually attentive to the customer's needs, developing new products and services, optimising and reducing fees for basic payment services, and promoting security of online payments;
- the need to foster the company's business relationships with partners and suppliers by promoting mutually beneficial contractual arrangements, punctual settlement of invoices, sharing of industry insights and innovations;
- the impact of the company's operations on the community and the environment by continually promoting reduction of environmental pollution by using electronic document workflow, reducing CO2 emissions by cutting unnecessary travel, particularly by airplanes, and promoting usage of public transportation by the company's employees;

Strategic report (continued)

for the year ended 28 February 2021

Directors' statement of compliance with duty to promote the success of the company (continued)

- the regulatory compliance of the company by maintaining timely and accurate reporting to the regulatory, government, and tax authorities, by maintaining a reputation for high standards of business conduct and integrity, by maintaining a professional approach to all matters by directors and employees at all levels, and
- the need to act fairly as between shareholders of the company by maintaining standards that ensured no bias to any particular individual or group.

Principal risks and uncertainties

The Board of Directors is responsible for the risk management policy of the company and approves the parameters within which the various aspects of risks are managed. During its normal course of business, the company is exposed to certain financial risks: earnings growth, operational, liquidity, credit and foreign exchange risks.

Earnings growth risk

There is a risk to both regulatory capital and shareholder value if the company is unable to grow its key business lines: payments (provision of payment account services, money transfers locally and internationally, currency exchange and issuance of prepaid cards) and acquiring (provision of online payment card acceptance for merchants, provision of alternative online payment method acceptance for merchants, provision of e-commerce gateway and provision of payout to payment cards). The Board of Directors has implemented an organic business growth model, where development costs and day-to-day operating expenses are growing in line with revenue growth. This ensures the company continues to meet its regulatory capital requirement and to comply with the FCA's rules and is aligned with the growth in client payments revenue.

Operational risk

This is a risk of a direct or indirect loss resulting from inadequacies or failures of information technology systems, processes or controls due to hardware or software failure, staff or management, or external factors. To manage, monitor and control operational risks, the company maintains a framework of policies, procedures and controls which are designed to provide a sound and well controlled operational environment.

Liquidity risk

The company is not considered to have an elevated level of liquidity risk as the company's funds and safeguarded clients' funds in transit are kept in current accounts with vetted credit institutions. The directors maintain a policy of ensuring adequate availability of financial resources for the company's current and future obligations.

Credit risk

The company's primary credit risk is with its banking and acquiring partners. The company deploys various diversification methods and continues engaging with new credit institutions and acquiring partners to diversify possible credit risks. Careful partner assessment and monitoring procedures are in place to minimise any possible risks.

Foreign exchange risk

The company operates in a number of currencies and manages foreign exchange exposure by carefully matching assets and liabilities in each currency in order to avoid any exposure. All client foreign exchange transactions are executed on the spot and the company never keeps an open currency position longer than needed to instruct the banking partner to execute the foreign exchange transaction at market rates.

Strategic report (continued)

for the year ended 28 February 2021

Principal risks and uncertainties (continued)

Other risks

In addition, there are uncertainties associated with the United Kingdom's exit from the European Union and other global political changes, which are beyond the control of the directors or management. To minimise such risks, the directors monitor market conditions and global political movements and explore different options to ensure a secure future for the company.

The directors have considered the impact of the ongoing COVID-19 pandemic on the company's operations, with a particular focus on its effect on the company's customers, suppliers, and employees.


The directors do not consider this to be cause for material uncertainty in respect of the company's ability to continue as a going concern. The company has adapted well, successfully employing contingency plans, and the directors consider that the company has sufficient financial resources to continue for the foreseeable future, despite the ongoing crisis.

Financial key performance indicators

The directors approve the annual budget and review performance against budget on a monthly basis. Similarly, key performance indicators, namely revenue, net profit and net assets are carefully monitored.

Revenue for the year amounted to €2,248,280 and at the year end the company had net assets of €843,239. Compared to the previous year, the gross revenue has increased by 61.33% which is a significant achievement. The directors are pleased to report a continuous new client acquisition stream, together with this revenue growth and achievement of sustainable profitable operations. The directors can confirm that this trend continues throughout 2021 and the company will be profitable within the next reporting period.

This report was approved by the board 21 December 2021 and signed on its behalf by:


Robert Ford
Director

Independent auditor's report to the members of PayAlly Limited

for the year ended 28 February 2021

Opinion

We have audited the financial statements of PayAlly Limited (the 'company') for the year ended 28 February 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Independent auditor's report to the members of PayAlly Limited (continued) for the year ended 28 February 2021

Other information

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

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

We have nothing to report in this regard.

Opinion 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 and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and the Strategic 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 Directors' report or the Strategic 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.

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.

Independent auditor's report to the members of PayAlly Limited (continued) for the year ended 28 February 2021

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, including knowledge specific to auditing payment services firms;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with directors and other management at the planning stage, and from our knowledge and experience of auditing payment services firms;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; we considered the impact of COVID-19 on the company and its internal controls;
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006, employment legislation, and taxation legislation; and
- we considered the impact of Brexit on the company and the laws and regulations above.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal expenditure and correspondence throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process, taking into account the impact of COVID-19 on controls during the year;
- reviewed journal entries throughout the year to identify unusual transactions;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior year;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the company's management;
- tested the completeness of revenue by obtaining supporting documentation for a sample of each of the various revenue streams and investigated any material variances to expectations; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.

Independent auditor's report to the members of PayAlly Limited (continued)

for the year ended 28 February 2021

Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Financial Conduct Authority and the company's legal advisors.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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



Peter Chapman (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

21 December 2021

Statement of comprehensive income

for the year ended 28 February 2021

| | | 2021 € | 2020 € |
|--|----------|------------------|------------------|
| Revenue | | 2,248,280 | 1,393,565 |
| Gross profit | | 2,248,280 | 1,393,565 |
| Administrative expenses | | (1,846,996) | (1,361,381) |
| Other operating income | 5 | 11,447 | - |
| Operating profit | 6 | 412,731 | 32,184 |
| Interest receivable and similar income | | 24,293 | 63,178 |
| Interest payable and expenses | | (4,498) | - |
| Profit before tax | | 432,526 | 95,362 |
| Tax on profit | 12 | (73,444) | (16,717) |
| Profit for the financial year | | 359,082 | 78,645 |

All amounts relate to continuing operations.

There was no other comprehensive income for 2021 or 2020.

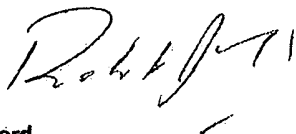
The notes on pages 14 to 26 form part of these financial statements.

Statement of financial position

as at 28 February 2021

| | Note | 2021 € | 2020 € |
|--|------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 215,182 | 211,672 |
| Tangible assets | 14 | 24,296 | 4,614 |
| | | <u>239,478</u> | <u>216,286</u> |
| Current assets | | | |
| Stocks | 15 | 9,760 | 10,326 |
| Debtors | 16 | 13,825 | 87,687 |
| Cash at bank and in hand | 17 | 16,424,930 | 10,042,460 |
| | | <u>16,448,515</u> | <u>10,140,473</u> |
| Creditors: amounts falling due within one year | 19 | (15,844,754) | (9,872,602) |
| Net current assets | | <u>603,761</u> | <u>267,871</u> |
| Total assets less current liabilities | | <u>843,239</u> | <u>484,157</u> |
| Net assets | | <u>843,239</u> | <u>484,157</u> |
| Capital and reserves | | | |
| Called up share capital | | 861,473 | 861,473 |
| Profit and loss account | 22 | (18,234) | (377,316) |
| | | <u>843,239</u> | <u>484,157</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2021.



Robert Ford
Director

The notes on pages 14 to 26 form part of these financial statements.

Statement of changes in equity
for the year ended 28 February 2021

| | Called up share capital | Profit and loss account | Total equity |
|---------------------|----------------------------|----------------------------|--------------|
| | € | € | € |
| At 1 March 2019 | 861,473 | (455,961) | 405,512 |
| Profit for the year | - | 78,645 | 78,645 |
| At 1 March 2020 | 861,473 | (377,316) | 484,157 |
| Profit for the year | - | 359,082 | 359,082 |
| At 28 February 2021 | 861,473 | (18,234) | 843,239 |

The notes on pages 14 to 26 form part of these financial statements.

Statement of cash flows

for the year ended 28 February 2021

| | 2021 € | 2020 € |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 359,082 | 78,645 |
| Adjustments for: | | |
| Amortisation of intangible assets | 28,459 | 26,237 |
| Depreciation of tangible assets | 4,164 | 1,338 |
| Interest paid | 4,498 | - |
| Interest received | (24,293) | (63,178) |
| Taxation charge | 73,444 | 16,717 |
| Decrease in stocks | 566 | 151 |
| Decrease in debtors | 418 | 2,456 |
| Increase in creditors | 5,877,654 | 3,686,745 |
| Net cash generated from operating activities | 6,323,992 | 3,749,111 |
| Cash flows from investing activities | | |
| Purchase of intangible fixed assets | (31,969) | (41,320) |
| Purchase of tangible fixed assets | (23,846) | (2,120) |
| Interest received | 24,293 | 63,178 |
| Net cash from investing activities | (31,522) | 19,738 |
| Cash flows from financing activities | | |
| Other new loans | 90,000 | - |
| Net cash from financing activities | 90,000 | - |
| Net increase in cash and cash equivalents | 6,382,470 | 3,768,849 |
| Cash and cash equivalents at beginning of year | 10,042,460 | 6,273,611 |
| Cash and cash equivalents at the end of year | 16,424,930 | 10,042,460 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 16,424,930 | 10,042,460 |
| | 16,424,930 | 10,042,460 |

Notes to the financial statements

for the year ended 28 February 2021

1. General information

PayAlly Limited is a private company limited by shares and is incorporated in England and Wales. Its company registration number is 10600055. The registered office and principal place of business of the company is 80 Coleman Street, London, United Kingdom, EC2R 5BJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', ('FRS 102') and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the impact of the ongoing COVID-19 pandemic on the company's operations, with a particular focus on its effect on the company's customers, suppliers, and employees.

The directors do not consider this to be cause for material uncertainty in respect of the company's ability to continue as a going concern. The company has adapted well, successfully employing contingency plans, and the directors consider that the company has sufficient financial resources to continue for the foreseeable future, despite the ongoing crisis. The financial statements have therefore been prepared on the going concern basis.

2.3 Revenue

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue on currency exchange services is recognised once the company's performance obligation has been completed, i.e. the converted currency delivered to the customer's account. Revenue on e-commerce payment acceptance services is recognised once the company's performance obligation has been completed, i.e. the acquiring partner of the company has settled merchant sales funds to the company and the company has credited sales funds to the merchant's account. Revenue on money transfer services is recognised once the company's performance obligation has been completed, i.e. the transferred money delivered to the recipient. Revenue on prepaid cards issuance is recognised once the company's performance obligation has been completed, i.e. when the customer orders a new card and pays for it, and when the prepaid card issuer confirms the personalisation and delivery of the card to the customer. Revenue on prepaid cards usage services is recognised once the company's performance obligation has been completed, i.e. the cardholder has completed a purchase with the card or cash withdrawal, and the prepaid card issuer has issued a revenue share statement to the company.

Notes to the financial statements

for the year ended 28 February 2021

2. Accounting policies (continued)

2.4 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method. As there is no active market for the assets, their residual value is considered to be £nil.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | |
|----------------------|------------|
| Software development | - 10 years |
| Trademarks | - 10 years |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Tangible assets

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

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

The estimated useful lives range as follows:

| | |
|--------------------|-----------|
| Computer equipment | - 4 years |
|--------------------|-----------|

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

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

Notes to the financial statements

for the year ended 28 February 2021

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

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

2.9 Cash and cash equivalents

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

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

2.10 Customer funds

The company holds money on behalf of clients in accordance with the requirements of the Payment Services Regulations. Customer funds held in segregated bank and settlement accounts in accordance with these requirements and the corresponding liabilities to these clients are recognised on the Statement of financial position within cash and creditors, respectively.

2.11 Creditors

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

Notes to the financial statements

for the year ended 28 February 2021

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the mid-market exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies are recognised in the Statement of comprehensive income within revenue for the provision of currency exchange services and within administrative expenses for the procurement of currency exchange services.

Foreign exchange gains and losses resulting from translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the Statement of comprehensive income as administrative expenses.

Non-monetary assets and liabilities are translated at historic exchange rates if held at historic cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains or losses are recognised in the Statement of comprehensive income as administrative expenses.

2.13 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method. This interest is earned on certain customer funds balances and is accrued monthly.

Notes to the financial statements

for the year ended 28 February 2021

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

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

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

The directors considered areas involving estimation uncertainty or significant judgement to be in relation to:

- Software development costs: capitalisation as an intangible asset is considered appropriate as these costs meet the recognition criteria of an intangible asset in accordance with FRS 102; and
- The recognition of customer funds (see accounting policy 2.10).

The directors believe that there are no further areas involving estimation uncertainty or application of judgement.

4. Revenue

The whole of the revenue is attributable to the company's principal activity.

Payment services are provided in the United Kingdom only.

Notes to the financial statements

for the year ended 28 February 2021

5. Other operating income

| | 2021 | 2020 |
|-------------------|---------------|----------|
| | € | € |
| Government grants | 11,447 | - |
| | <u>11,447</u> | <u>-</u> |

6. Operating profit

The operating profit is stated after charging/(crediting):

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| | € | € |
| Exchange differences | 68,402 | 11,560 |
| Other operating lease rentals | 36,809 | 31,180 |
| | <u>36,809</u> | <u>31,180</u> |

7. Auditor's remuneration

| | 2021 | 2020 |
|--|---------------|--------------|
| | € | € |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 10,540 | 8,754 |
| | <u>10,540</u> | <u>8,754</u> |

Fees payable to the company's auditor in respect of:

| | 2021 | 2020 |
|-------------------------|--------------|--------------|
| | € | € |
| Tax compliance services | 2,049 | 2,043 |
| Other services | 1,757 | 1,751 |
| | <u>1,757</u> | <u>1,751</u> |

Notes to the financial statements

for the year ended 28 February 2021

8. Staff costs, and average number of employees

Staff costs, including directors' remuneration, were as follows:

| | 2021 € | 2020 € |
|-----------------------|----------------|----------------|
| Wages and salaries | 128,301 | 113,855 |
| Social security costs | 13,281 | 17,716 |
| | <u>141,582</u> | <u>131,571</u> |

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

| | 2021 No. | 2020 No. |
|----------------|-------------|-------------|
| Directors | 2 | 3 |
| Administrative | 2 | 2 |
| | <u>4</u> | <u>5</u> |

9. Directors' remuneration

| | 2021 € | 2020 € |
|-----------------------|---------------|----------------|
| Directors' emoluments | 77,283 | 104,000 |
| | <u>77,283</u> | <u>104,000</u> |

10. Interest receivable

| | 2021 € | 2020 € |
|---------------------------|---------------|---------------|
| Other interest receivable | 24,293 | 63,178 |
| | <u>24,293</u> | <u>63,178</u> |

Notes to the financial statements

for the year ended 28 February 2021

11. Interest payable and similar expenses

| | 2021 € | 2020 € |
|------------------------|--------------|-----------|
| Other interest payable | 4,498 | - |
| | <u>4,498</u> | <u>-</u> |

12. Taxation

| | 2021 € | 2020 € |
|--|---------------|---------------|
| Total current tax | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 82,313 | 16,614 |
| Adjustments in respect of prior periods | (8,869) | 103 |
| Total deferred tax | <u>73,444</u> | <u>16,717</u> |
| Taxation on profit on ordinary activities | <u>73,444</u> | <u>16,717</u> |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

| | 2021 € | 2020 € |
|--|----------------|---------------|
| Profit on ordinary activities before tax | <u>432,526</u> | <u>95,362</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 82,180 | 18,119 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 133 | 449 |
| Deferred tax adjustment | (8,869) | (1,851) |
| Total tax charge for the year | <u>73,444</u> | <u>16,717</u> |

Notes to the financial statements

for the year ended 28 February 2021

12. Taxation (continued)

Factors that may affect future tax charges

On 10 June 2021, the Finance Bill 2021 received Royal Assent. The Bill confirms an increase in the corporation tax rate from 1 April 2023. From this date, the rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000.

13. Intangible assets

| | Software development € | Trademarks € | Total € |
|-----------------------|------------------------------|-----------------|------------|
| Cost | | | |
| At 1 March 2020 | 258,505 | 850 | 259,355 |
| Additions | 31,969 | - | 31,969 |
| At 28 February 2021 | 290,474 | 850 | 291,324 |
| Amortisation | | | |
| At 1 March 2020 | 47,232 | 451 | 47,683 |
| Charge for the year | 28,374 | 85 | 28,459 |
| At 28 February 2021 | 75,606 | 536 | 76,142 |
| Net book value | | | |
| At 28 February 2021 | 214,868 | 314 | 215,182 |
| At 29 February 2020 | 211,273 | 399 | 211,672 |

Notes to the financial statements

for the year ended 28 February 2021

14. Tangible assets

| | Computer equipment € |
|--------------------------|----------------------------|
| Cost or valuation | |
| At 1 March 2020 | 6,843 |
| Additions | 23,846 |
| At 28 February 2021 | 30,689 |
| Depreciation | |
| At 1 March 2020 | 2,229 |
| Charge for the year | 4,164 |
| At 28 February 2021 | 6,393 |
| Net book value | |
| At 28 February 2021 | 24,296 |
| At 29 February 2020 | 4,614 |

15. Stocks

| | 2021 € | 2020 € |
|-----------------------------------|-----------|-----------|
| Prepaid cards and code generators | 9,760 | 10,326 |
| | 9,760 | 10,326 |

Notes to the financial statements

for the year ended 28 February 2021

16. Debtors

| | 2021 € | 2020 € |
|--------------------------------|---------------|---------------|
| Other debtors | 11,881 | 10,297 |
| Prepayments and accrued income | - | 2,002 |
| Deferred taxation | 1,944 | 75,388 |
| | <u>13,825</u> | <u>87,687</u> |

17. Cash and cash equivalents

| | 2021 € | 2020 € |
|-----------------------|-------------------|-------------------|
| Bank current accounts | 786,073 | 189,829 |
| Client accounts | 15,638,857 | 9,852,631 |
| | <u>16,424,930</u> | <u>10,042,460</u> |

18. Analysis of net debt

| | At 1 March 2020 € | Cash flows € | Other non- cash changes € | At 28 February 2021 € |
|--------------------------|-------------------------|------------------|---------------------------------|--------------------------------|
| Cash at bank and in hand | 10,042,460 | 6,382,470 | - | 16,424,930 |
| Debt due within 1 year | - | (90,000) | (4,498) | (94,498) |
| | <u>10,042,460</u> | <u>6,292,470</u> | <u>(4,498)</u> | <u>16,330,432</u> |

Notes to the financial statements

for the year ended 28 February 2021

19. Creditors: amounts falling due within one year

| | 2021 € | 2020 € |
|------------------------------------|-------------------|------------------|
| Other loans | 94,498 | - |
| Payments received on account | 15,647,464 | 9,868,181 |
| Other taxation and social security | 1,163 | - |
| Other creditors | 34,365 | 4,421 |
| Accruals and deferred income | 67,264 | - |
| | <u>15,844,754</u> | <u>9,872,602</u> |

20. Deferred taxation

| | 2021 € |
|-------------------------------|--------------|
| At beginning of year | 75,388 |
| Charged to the profit or loss | (73,444) |
| At end of year | <u>1,944</u> |

The deferred tax asset is made up as follows:

| | 2021 € | 2020 € |
|--------------------------------|--------------|---------------|
| Accelerated capital allowances | (4,811) | (788) |
| Tax losses carried forward | 6,755 | 76,176 |
| | <u>1,944</u> | <u>75,388</u> |

21. Share capital

| | 2021 € | 2020 € |
|---|----------------|----------------|
| Authorised, allotted, called up and fully paid | | |
| 751,175 (2020 - 751,175) Ordinary A shares of £1 each | <u>861,473</u> | <u>861,473</u> |

Notes to the financial statements

for the year ended 28 February 2021

22. Reserves

Profit and loss account

Includes all current and prior periods' retained profits and losses.

23. Contingent liabilities

There were no contingent liabilities at 28 February 2021 or 29 February 2020.

24. Capital commitments

The company had no capital commitments at 28 February 2021 or 29 February 2020.

25. Commitments under operating leases

At 28 February 2021, the company was committed to make future minimum lease payments under non-cancellable operating leases as follows:

| | 2021 € | 2020 € |
|-----------------------|---------------|---------------|
| Not later than 1 year | 45,151 | 15,750 |
| | <u>45,151</u> | <u>15,750</u> |

26. Related party transactions

In the year ended 28 February 2021, the company earned income of €4,719 (2020: €6,507) from companies under control or joint control of the directors, and incurred expenditure of €nil (2020: €27,618). At the year-end, €65,053 (2020: €156,044) was owed to these related parties.

In the year ended 28 February 2021, the directors incurred expenses of €27,131 (2020 - €40,458) on behalf of the company and received payments of €27,101 (2020 - €40,599). At the year-end, €30 (2020 - €2,836) was owed to the directors.

During the year, the company received a working capital loan of €90,000 (2020: €nil) from a company controlled by a director. The interest rate charged on the loan is 6% and interest of €4,498 (2020: €nil) was charged during the year. At the year-end, €94,498 (2020: €nil) was owed to this entity.

During the year, the company earned income of €135 (2020: €81) from Advapay OU. At the year-end, €239 (2020: €123) was owed to Advapay OU. Advapay OU is a related party due to PayAlly being an associate of Advapay OU.

27. Controlling party

In the opinion of the directors there is no ultimate controlling party.