



Consolidated Financial Statements

December 31, 2021



KPMG Auditores Independentes Ltda.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
PicS Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of PicS Ltd. (the Company) as of December 31, 2021, and 2020, the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG Auditores Independentes
KPMG Auditores Independentes Ltda.

We have served as the Company's auditor since 2019.

São Paulo, Brazil
February 16, 2022

ASSETS	Note	December 31, 2021	December 31, 2020
Cash and cash equivalents	7	149,291	111,874
Financial assets		9,116,808	1,888,508
Financial assets measured at fair value through other comprehensive income		1,856,299	375,656
Financial investments	8	1,856,299	375,656
Financial assets measured at amortized cost		7,260,509	1,512,852
Financial investments	8	4,637,289	930,000
Trade receivables	9	2,554,292	443,583
Other receivables	10	68,928	139,269
Prepaid expenses	11	26,696	18,772
Recoverable taxes	26.1	56,426	5,693
Legal deposits		70	366
Investments		11	10
Property, plant and equipment	12	43,381	42,156
Right of use – leases	12	51,709	42,781
Intangible assets	13	253,720	70,733
TOTAL ASSETS		9,698,112	2,180,893
LIABILITIES	Note	December 31, 2021	December 31, 2020
Financial liabilities measured at amortized cost		9,026,073	1,747,114
Third-party funds	14	6,510,209	1,288,776
Funding from related parties	15	-	385,573
Loans	16	228,279	-
Trade payables	17	323,985	72,765
Obligations to FIDC quota holders	18	1,963,600	-
Labor obligations	19	192,471	62,217
Taxes payable	26.2	43,836	12,013
Lease liability	20	58,911	48,593
Provision for legal and administrative claims	21	1,461	358
Total Liabilities		9,322,752	1,870,295
Equity		375,360	310,598
Share capital	22	272	841,246
Additional paid-in capital	22	894,883	-
Capital reserve	22c	502,027	652,766
Fair value reserve		(1,349)	277
(-) Accumulated losses		(1,155,956)	(1,183,691)
Non-Controlling interests		135,483	-
TOTAL EQUITY AND LIABILITIES		9,698,112	2,180,893

The notes are an integral part of the consolidated financial statements.

PicS Ltd.**Consolidated statements of profit or loss**

For the years ended December 31, 2021 and 2020

(Thousands of Brazilian Reais, except loss per share)



	Note	2021	2020
Net revenue from transaction activities and other services	24a	226,282	83,204
Financial income	24b	918,428	306,354
Total revenue and financial income		1,144,710	389,558
Cost of sales and services	25	(572,228)	(290,543)
Selling expenses	25	(1,260,280)	(585,524)
Administrative expenses	25	(488,062)	(189,360)
Financial expenses	25	(445,392)	(70,547)
Other (expenses) income, net	25	(279,258)	(57,283)
Loss before income taxes		(1,900,510)	(803,699)
Income taxes	26.3	387	-
Loss for the period		(1,900,123)	(803,699)
Loss attributable to the Company's shareholders		(1,557,956)	(803,699)
Loss attributable to non-controlling interests		(342,167)	-
Earnings (loss) per share – basic and diluted (R\$)	22e	(0.657)	(6.309)

The notes are an integral part of the consolidated financial statements.

PicS Ltd.

Consolidated statements of comprehensive income

For the years ended December 31, 2021 and 2020

(Thousands of Brazilian Reais)



	2021	2020
Net loss for the period	(1,900,123)	(803,699)
Other comprehensive income (OCI)		
- Items that can be subsequently reclassified to profit or loss		
Net change in fair value of financial assets at fair value through other comprehensive income	(1,626)	277
Total comprehensive income	(1,901,749)	(803,422)
Comprehensive income attributable to the Company's shareholders	(1,560,069)	(803,422)
Comprehensive income attributable to non-controlling interests	(341,680)	-

The notes are an integral part of the consolidated financial statements.

PicS Ltd.

Consolidated statements of changes in equity

For the years ended December 31, 2021 and 2020

(Thousands of Brazilian Reais)



	Note	Share capital	Additional paid-in capital	Capital reserve	Fair value reserve	Accumulated losses	Non Controlling interest	Total
Balances as of December 31, 2019		252,758	-	178,245	-	(379,992)	-	51,011
Other comprehensive income for the period		-	-	-	277	-	-	277
Capital increases	22a	588,488	-	-	-	-	-	588,488
Capital reserve	22c	-	-	474,521	-	-	-	474,521
Net loss for the period		-	-	-	-	(803,699)	-	(803,699)
Balances as of December 31, 2020 - PicPay		841,246	-	652,766	277	(1,183,691)	-	310,598
Other comprehensive income for the period		-	-	-	(267)	-	-	(267)
Capital increases	22a	177,201	-	-	-	-	-	177,201
Capital reserve	22c	-	-	250,902	-	-	-	250,902
Net loss for the period		-	-	-	-	(402,000)	-	(402,000)
Balances as of April 18, 2021 - PicPay		1,018,447	-	903,668	10	(1,585,691)	-	336,434
Restructuring of April 19, 2021	22a	(1,018,394)	336,424	(903,668)	-	1,585,691	-	53
Balances as of April 19, 2021 - PicS		53	336,424	-	10	-	-	336,487
Other comprehensive income for the period		-	-	-	(1,359)	-	-	(1,359)
Capital increases	22a	18	104,810	-	-	-	-	104,828
Sale of NCI without a change in control	22a	-	-	-	-	-	931,500	931,500
Acquisition of NCI without a change in control	22a	201	453,649	-	-	-	(453,850)	-
Capital reserve	22c	-	-	502,027	-	-	-	502,027
Net loss for the period		-	-	-	-	(1,155,956)	(342,167)	(1,498,123)
Balances as of December 31, 2021- PicS		272	894,883	502,027	(1,349)	(1,155,956)	135,483	375,360

The notes are an integral part of the consolidated financial statements.

PicS Ltd.**Consolidated statements of cash flows**

For the years ended December 31, 2021 and 2020

(Thousands of Brazilian Reais)



	Note	2021	2020
Loss for the period		(1,900,123)	(803,699)
Adjustments for			
Related parties transactions		752,929	474,521
Labor provisions		34,774	17,050
Depreciation/amortization	12/13	49,449	16,209
Provision for contingencies	21a	3,716	510
Chargeback provision	9	3,274	4,119
Impairment of intangible assets	13	852	-
Loss or gain on disposal of property, plant and equipment		413	791
Interest accrued on loans		6,559	-
Interest accrued on FIDC senior quotas		105,642	-
Variations in operating assets and liabilities			
- financial investments		(5,189,558)	(1,205,028)
- trade receivables and other receivables		(1,833,250)	136,086
- prepaid expenses		(7,924)	(17,791)
- other assets		(50,437)	(4,870)
- third-party funds		5,462,925	1,194,836
- labor obligations and taxes payable		146,470	35,990
- change in trade payables and other obligations		258,720	61,257
- legal claims payment		(2,613)	(157)
Interest paid		(347,797)	(280,849)
Net cash used in operating activities		(2,505,979)	(371,025)
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		(54,824)	-
Acquisition of investments		(1)	(2)
Acquisition of property, plant and equipment		(24,805)	(33,389)
Acquisition of intangible assets		(219,050)	(62,210)
Net cash used in investing activities		(298,680)	(95,601)
Cash flows from financing activities			
Share capital increase		282,083	588,488
Issuance of non-controlling interests		931,500	-
Proceeds of FIDC senior quotas		977,770	-
Loans		224,997	-
Leases paid		(8,849)	(5,259)
Related party funding payments		(245,755)	(2,272,290)
Related party funding receipt		680,330	2,247,601
Net cash from financing activities		2,842,076	558,540
Net increase in cash and cash equivalents		37,417	91,914
Cash and cash equivalents at the beginning of the period		111,874	19,960
Cash and cash equivalents at the end of the period		149,291	111,874

The notes are an integral part of the consolidated financial statements.

1. Operating context

PicS Ltd. ("PicS" or "Company", and together with its subsidiaries, "PicPay Group" or "Group") is a Cayman Island exempted company with limited liability, incorporated on April 16, 2021. On April 19, 2021, PicPay Instituição de Pagamento S.A. (formerly PicPay Serviços S.A.) ("PicPay") which was, at that time, directly controlled by J&F Participações S.A. completed its corporate reorganization process ("the Restructuring"). Prior to the Restructuring PicS was a non-operating company with no material assets, liabilities or contingencies. The controlling shareholders of PicPay contributed their shares to PicS receiving shares of PicS in exchange and, in this way, became the holders of 100% of the shares of PicS. As a result, J&F Participações S.A. and PicS become the indirect and direct controlling entities of PicPay respectively, thus the ultimate shareholders of PicPay and its voting and non-voting interest were the same before and after the Restructuring.

The Group accounted for the Restructuring as a common control transaction, and the pre-restructuring carrying amounts of PicPay were included in the PicS consolidated financial statements at book value (carryover basis). Thus, these consolidated financial statements reflect:

1. The historical operating results, cash flows and financial position of PicPay prior to the Restructuring;
2. The contribution of PicPay's consolidated assets and liabilities at book value on April 19, 2021;
3. The consolidated operating results, cash flows and financial position of the Group following the Restructuring;

PicPay is a privately held company, constituted on July 10, 2015, with its principal place of business in the city of São Paulo, State of São Paulo, Brazil, which provides financial, communication and consumer services. On September 30, 2020 PicPay was authorized by Central Bank of Brazil ("BACEN") to operate as a Payment Institution.

PicPay serves both individuals and corporations. As it relates to individuals, its target market are citizens located in Brazil, registered in the Individual Taxpayer Register (CPF), and owners of smartphones with iOS and Android operating systems, with special focus on those who do not have an account with financial institutions ("unbanked"). These services are run on PicPay's technology platform which is primarily accessed through PicPay's mobile phone application ("app"). As it related to corporations, PicPay provides services to small commercial establishments, self-employed professionals and corporates with large retail networks across multiple sectors of the retail market, such as restaurants, gas stations, supermarkets and pharmacies, among others.

PicPay acts as a payment arrangements institution, where the user has a pre or post-paid payment account with PicPay and PicPay enables them to make purchases and transfers between users and merchants.

In its payment arrangements, PicPay acts as an electronic money issuer, creating and managing prepaid payment accounts for its users and post-paid transactions which are made using credit cards which are on-boarded into the app by its users. It enables commercial establishments to accept electronic payments, either in the role of a payment institution issuing electronic money, in the case of payments between PicPay accounts, or as an accrediting payment institution (sub-acquirer) in the case of post-paid payment arrangements. In order to expand the offer of financial products to its users, the Company entered into an agreement to act as a correspondent for Banco Original S.A. ("Banco Original") in Brazil, allowing PicPay to offer its users the ability to settle bank issued payment slips ("boletos") as well as offer loans from Banco Original and co-branded credit cards issued by Banco Original (PicPay Card) to its customers.

PicPay also gives its clients access to digital goods in its app-based marketplace, such as in-game credits, cell phone recharges and transport tickets, among others.

In order to allow PicPay to offer its users the ability to make or accept certain payments in installments (e.g. payment of bank issued payment slips), the Company structured the Fundo de Investimentos em Direitos Creditórios Não-Padronizados PicPay I ("FIDC") domiciled in the city of Rio de Janeiro, State of Rio de Janeiro, Brazil, whose quotas were initially all held by its controlling quota holder, Banco Original. On February 23, 2021, the quotas held by Banco Original in FIDC PicPay I were converted into 1,023,000,000 senior quotas and FIDC PicPay I issued 113,668,226 subordinated quotas to PicPay in exchange for R\$ 97,800, which was settled in cash. On this date, PicPay began to consolidate FIDC PicPay I which had a balance of cash and cash equivalents of R\$ 145,140 such that the net effect was an increase of R\$ 47,340 in cash and cash equivalents.

FIDC acts by acquiring from PicPay the scheduled series of monthly receivables generated when an individual makes a payment in installments using an on-boarded credit card or when a self-employed individual or merchant offers their customers the opportunity to make their payments in installments through PicPay.

On July 20, 2021 PicPay acquired 100% of the share capital of Guiabolso Correspondente Bancário e Serviços Ltda. ("Guiabolso") and its subsidiary Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.) ("Just") for R\$ 110,000, which was settled in cash. On that date, PicPay began to consolidate both entities which had a consolidated balance of cash and cash equivalents of R\$ 7,836 such that the net effect was a decrease of R\$ 102,164 in cash and cash equivalents. For further information, see Note 29.

On October 26, 2021 PicPay Serviços S.A. changed its Company name to PicPay Instituição de Pagamento S.A.

On December 31, 2021 the Group create a new entity named PicPay Holding Ltda. (PicPay Holding). As a result of the transaction described in Note 22a on December 31, 2021 this entity became an intermediate holding company that directly controls PicPay and is controlled by PicS.

2. Presentation and preparation of the Consolidated Financial Statements

2.1 Basis of preparation of the consolidated financial statements

These financial statements of the Company were prepared according to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

These financial statements were approved by the Board of Directors at the meeting held on February 16, 2022.

The Group's strategy in 2021 and 2020 was based on growth in the user base, development of features and new products. To form this user base, the Group invested in the acquisition, activation, and retention of users. In parallel with the increase in the user base, the Group focused efforts on developing new products and features. All of these products required investment in marketing, technology and people, without necessarily having a direct increase in profit in the short and medium term. As a result, the Group has recurring losses and capital contributions.

The Group's future strategy is expected to continue to focus on acquiring users and developing new products and services, there is a pipeline of new products in all business segments for the coming years the Group's expectation is that the existing user base, products and features will begin to generate results and that retained users will not require significant additional costs and will generate more revenue, as they transact more often and in more products.

Until it reaches the maturity of its user base, and has a complete portfolio of products, the Group will continue to require contributions from its shareholders. The contribution needs are projected through periodic monitoring of the Group's cash flow. Contributions need to be approved by the Board of Directors and by the BACEN. The current shareholders have committed to support all actions required for continuing as a going concern, with the commitment to invest additional funds as considered necessary by management.

The financial statements were prepared on a historical cost basis, unless otherwise stated.

2.2 Basis of consolidation

These consolidated financial statements include PicS and all entities over which it has control (subsidiaries). Control is when the Group is exposed or has rights to variable returns from its involvement with the investee, has existing rights that give it the ability to direct the relevant activities and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the entity and ceases when the Group loses control. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group obtains control until the date the Group loses control. Intragroup transactions between parent company and its subsidiaries are eliminated in full on consolidation.

As described in Note 1, starting from the date of acquisition of the subordinated quotas the Group consolidates FIDC PicPay I, as it obtained control over it. The bylaw of FIDC grant the Group significant decision-making authority over it, such as the right to determine which credits rights are eligible to be acquired by the FIDC. In addition, FIDC's senior quota holders receive a remuneration and must be fully redeemed by the Group at the maturity date. As sole holders of the subordinated quotas, the Group is exposed to the residual value in the FIDC after the senior quota holders have received their defined return. The senior quotas are accounted for as a financial liability under "Obligations to FIDC quota holders" and the remuneration accrued to senior quota holders (CDI, the Brazilian interbank deposit rate, + 3% per annum) is recorded as "financial expenses". The Group obtained control over FIDC PicPay I in a transaction between entities under common control which was accounted for at cost.

The Company acquired 100% of the share capital of Guiabolso and its subsidiary, Just, which are both consolidated in these consolidated financial statements from the date control was obtained (July 20, 2021).

The Company acquired 63.91% of the share capital of PicPay Holding which is consolidated in these consolidated financial statements from the date control was obtained (December 31, 2021).

The consolidated financial statement includes PicPay and the following subsidiaries:

<u>Entity</u>	<u>Country</u>	<u>Principal activities</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Direct or Indirect Control</u>
<i>PicPay Holding Ltda.</i>	Brazil	Holding	63.91%	0.0%	Direct
<i>PicPay Instituição de Pagamento S.A.</i>	Brazil	Financial services	100.00%	0.0%	Indirect
<i>Fundo de Investimentos em Direitos Creditórios Não-Padronizados PicPay I (1)</i>	Brazil	Receivable investment fund	100.00%	0.0%	Indirect
<i>Guiabolso Correspondente Bancário e Serviços Ltda.</i>	Brazil	Bank correspondent	100.00%	0.0%	Indirect
<i>Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.)</i>	Brazil	Bank correspondent	100.00%	0.0%	Indirect

(1) The % interest represents the percentage of the subordinated quotas issued by the FIDC and held by the Group

Accounting policies have been applied uniformly to all consolidated entities.

3. Significant accounting policies

3.1 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which it operates and reflects the underlying transactions, events and conditions that are relevant to it. PicS is a holding company and does not have any direct operations. The only material asset is its investment in PicPay which operates in Brazil, has the Brazilian Real (R\$) as its functional currency and determines its distributable profits, if any, in Brazilian Real. As a result, the currency that best reflects the economic substance of the underlying economic events that affect the Company, and therefore its functional currency, is the Brazilian Real. The Group uses the Brazilian real as its presentation currency.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments, which are redeemable within 90 days at a known amount of cash and are subject to an insignificant risk of change in value. Cash equivalents are held in order to meet short-term cash commitments, and not for investment or for other purposes.

3.3 Trade receivables

Amounts receivable from financial transactions processed by acquirers

Composed of the amounts receivable from acquirers for payment transactions with credit cards and debit cards made by users on the Group's payment platform. Receivables from debit card transactions are settled in 1 day and receivables from normal credit card transactions are settled on or prior to 32 days following the transaction. Payments on credit cards in installments generates a series of receivables due from the acquirer at monthly intervals for up to 12 months. These installments are generally either: (i) transferred to the FIDC via a pass-through arrangement under which the FIDC has recourse to PicPay; (ii) assigned to Banco Original without recourse; or (iii) advanced by the acquirers. Prior to consolidation of the FIDC (starting on February 23, 2021 as described in Note 1), when the receivables were transferred to the FIDC, they were not derecognized as PicPay retained substantially all the risks and rewards of the receivables via the recourse mechanism. The amounts resulting from installment transactions are presented at present value and are net of provisions for credit and fraud risk (chargeback).

Amounts receivable from service provision

Primarily composed of receivables related to business partner commissions and intermediation fees charged for processing transactions receivable from commercial establishments.

3.4 Financial assets and liabilities

Financial assets

Financial assets are classified into the following categories: (i) at fair value through other comprehensive income (FVOCI); (ii) amortized cost; and (iii) measured at fair value through profit or loss (FVTPL). The classification is made based both on the Group's business model, for the management of the financial asset, and on the characteristics of the contractual cash flows of the financial asset.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it meets the "principal and interest only" criteria, that is, cash flows that exclusively constitute principal and interest payments, and that is maintained in a model businesses whose objective is achieved both by obtaining contractual cash flows and by selling the financial asset.

Upon initial recognition, the Group may make an irrevocable choice to present, in other comprehensive income, subsequent changes in the fair value of investment in an equity instrument.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss, fair value gains and losses are recognized in Other Comprehensive Income. Upon derecognition, accumulated gains and losses in Other Comprehensive Income are reclassified to profit or loss.

Amortized cost

They are instruments maintained within the business model whose objective is to maintain financial assets in order to receive contractual cash flows and in contractual terms give rise to cash flows that constitute, solely payments of principal and interest on the principal amount outstanding ("SPPI" criterion). The amortized cost is reduced by impairment losses, Interest revenue, exchange gains and losses and impairment are recognized in profit or loss.

Financial assets at fair value through profit or loss

A financial instrument is measured at fair value through profit or loss when the assets do not meet the classification criteria of the other categories. Additionally, the Group may, upon initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if, in doing so, it can eliminate or significantly reduce a measurement or recognition inconsistency.

Derecognition

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group transferred its contractual rights to receive cash flows from the asset or assumed a contractual obligation to pay the received cash flows, without material delays, to a third party; and, either the Group transferred substantially all the risks and benefits of the asset, or the Group did not transfer nor retained substantially all the risks and benefits of the asset, but transferred control of the asset.

When the Group transfers its contractual rights to receive cash flows from an asset, it assesses whether, and to what extent, it retained the risks and benefits of ownership. When it has not transferred or retained substantially all the risks and benefits of the asset, nor has it transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continued involvement.

In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company maintained.

Expected credit loss

The Group's credit risk arises from exposures to other financial institutions or acquirers, including cash operations, cash equivalents, investments, financial assets and deposits. As a prepaid payment institution, PicPay does not carry out credit operations for its users. To calculate the expected credit loss, we use the following parameters: PD (Probability of Default) — probability of default of the credit obligation. LGD (Loss Given Default) — amount lost due to default and EAD (Exposure at Default) — amount exposed at the time of default.

Financial liabilities

Financial liabilities are measured at amortized cost.

Amortized cost

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method, with interest expenses recognized using the effective interest rate.

A financial liability is derecognized when it is settled, canceled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

3.5 Other assets

Measured at cost of acquisition or investment plus, when applicable, indexation calculated on a *pro rata die* basis up to the reporting date.

3.6 Property, plant and equipment

Measured at historical cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line method and considers the estimated useful life of the assets. The estimated useful life, residual values and depreciation methods are reviewed annually and the effect of any changes in estimates is accounted for prospectively.

The useful lives of fixed assets are estimated as follows:

- Machinery and equipment — 10 years
- Right of use — leases — 5 to 10 years
- Computers and equipment — 5 years
- Furniture and fixtures — 10 years
- Improvements — 5 to 12 years
- Facilities — 10 years

Items of property, plant and equipment are written off after disposal or when there are no future economic benefits arisen from the continuing use of the asset. Any gains or losses from the sale or write-off of the assets are determined by the difference between the amounts received in sale and the carrying amount and are recognized in profit or loss.

3.7 Intangible Assets

Intangible assets refer to software licenses and software developed internally, have a defined useful life and are recorded at cost, less amortization and accumulated impairment losses. Amortization is recognized by the straight-line method, based on the estimated useful life of the assets. The estimated useful life and the amortization method are revised yearly, and the effects of any changes in estimates are recorded prospectively. The amortization term of all significant intangible assets is 5 years, being amortized at the rate of 20% per year.

Development expenditures are capitalized only if they can be reliably measured, if future economic benefits are likely, and if the Group has sufficient intent and resources to complete development and use or sell the asset. Other development expenses are recognized in profit or loss as incurred. After initial recognition, capitalized development expenses are measured at cost, less accumulated amortization and any losses due to impairment.

3.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations. A long-term growth rate is calculated and applied to project future cash flows.

3.9 Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, including assets transferred and liabilities assumed, measured at fair value.

Any contingent consideration to be transferred by the Group is recognized at fair value on acquisition date. Subsequent changes in the fair value of the contingent consideration treated as an asset or liability are recognized in profit or loss.

Goodwill is measured as the excess of the consideration transferred over the fair value of net assets acquired. If the consideration transferred is smaller than the fair value of net assets acquired, the difference is recognized as a gain on bargain purchase in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill acquired in a business combination is tested for impairment annually.

The amount recognized as a provision for post-combination service for executives and employees is calculated on a straight-line method and considers vested period established in contract.

3.10 Leases

For lease agreements with a term of more than one year, the Group recognizes: (i) a lease liability that corresponds to the sum of the consideration of the agreement at present value and (ii) a right-of-use asset. The values of the lease liability and the right-of-use asset are remeasured when changes and/or adjustments in the agreements occur, and the right-of-use asset is evaluated, at least annually (and/or when there is evidence) for impairment.

Lease agreements are recognized based on the following premises:

Lease liabilities

Initially measured at the present value of lease payments that were not paid on the start date, discounted using the Group's incremental financing rate.

Lease term

The Group recognizes the lease agreements in accordance with the respective contractual terms, including optional renewals when this renewal is reasonably certain.

Incremental loans interest rate

To calculate the present value of the payments, the Group determines the interest rate that would be paid to finance the acquisition of the leased assets, based on the rates practiced in the most recent fundraising at the time of recognition of the lease.

Interest expense

Interest expenses are recognized as a financial expense and allocated to each period during the term of the agreement.

Depreciation of right-of-use assets

The useful life of the right-of-use assets is defined as the total term of the agreement, considering, if applicable, any reasonably certain renewals, with its depreciation being recognized in a straight line over the period of its useful life.

3.11 Third party funds

They refer to the balance of the users' pre-paid accounts which can be redeemed at any time by the user. Such amounts are measured at the redeemable amount and consider the interest payable up to the reporting date, recognized on a *pro rata die* basis.

3.12 Funding from related parties

The amounts refer to installment receivables which have been transferred to the FIDC under a pass-through arrangement. As, prior to the consolidation of the FIDC, the installment receivable were not derecognized, a financial liability was recognized for the consideration received at the date of transfer.

3.13 Provisions

Provisions are recognized for present obligations (legal or constructive) resulting from past events, for which it is possible to estimate the amounts reliably and for which settlement is probable.

The amount recognized as a provision is the best estimate of the amount required to settle the obligation at the end of each year, considering the risks and uncertainties related to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized when, and only when, the reimbursement is virtually certain and the amount can be measured reliably.

Expenses for the recognition of, or increase in, provisions are recognized in the statement of profit or loss, net of any reimbursement, when applicable.

3.14 Provisions for legal and administrative claims

The recognition, measurement and disclosure of provisions are as follows:

- **Contingent assets** — They are not recognized in the financial statements, except when their realization is virtually certain;
- **Contingent liabilities** — They are only disclosed in the financial statements because they are possible obligations, since there are still uncertainties as to whether the Group has an obligation that could lead to an outflow of resources that incorporate economic benefits;
- **Provisions** — They are recognized as a liability in the financial statements because they are present obligations and it is probable that an outflow of benefits will be necessary to settle the obligation;
- **Legal obligations (tax and social security)** — Liabilities arising from agreements, legislation or other legal action in which the entity has no option but to settle the obligation are recognized as a liability in the financial statements.

3.15 Income taxes

Income taxes in Brazil consist of Corporate Income Tax (IRPJ) and Social Security Contribution (CSLL). Current income tax is calculated based on the taxable income and a 15% rate, plus an additional 10% rate on taxable income exceeding R\$ 240/year for Corporate Income Tax, and 9% on taxable income for Social Security Contribution. Tax losses are carried forward indefinitely and can be used to offset current tax amounts, limited to 30% of taxable income for the year.

Income tax expense comprises current and deferred Corporate Income Tax and Social Security Contribution and are recognized in the statement of profit or loss, unless they are related to business combination or items directly recognized in equity or in other comprehensive income.

Current tax expense is the amount of Corporate Income Tax and Social Security Contribution payable or recoverable related to the taxable income for the period.

Cayman Islands local laws do not impose corporate income tax or tax capital gains and therefore there is no income tax impact from this jurisdiction on the Group.

Deferred taxes are amounts of tax assets to be recovered and tax liabilities to be paid in future periods. Deferred tax liabilities comprise taxable temporary differences and deferred tax assets result from income tax loss carryforwards and temporary differences. Deferred tax assets are recognized only when it is probable that there will be taxable profit against which it can be realized, based on technical studies prepared by the Group.

3.16 Revenue recognition

Revenue from service provision

The Group earns revenues from transaction services and other services that it provides to its customers.

Revenue is recognized in according to the following steps: identification of the contract and the performance obligation, determination and allocation of the transaction price and recognition of revenue when the performance obligation is satisfied.

Revenue from contracts with customers is recognized at the point of time when control of the services is transferred to the customer. Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. The Company generally acts as an agent in the provision of services as its role is to arrange for another entity to provide the goods or services.

The Group provides incentives with a variety of characteristics to users to promote its platform. The following criteria are assessed to determine if the incentives are considered to be a component of revenue or are separately presented as marketing expenses: (i) whether the payments are to the customer in exchange for a distinct good or service; (ii) the existence of a performance obligation of the Group to the end user; (iii) whether there is an expectation of specific future contracts as a result of the incentive; (iv) whether the incentives are in substance a payment on behalf of the merchants or other parties involved in the arrangement.

The Group's financial and payment products are consolidated into the following groups:

- **Person-to-Person ("P2P")**: product intended for use between registered users (individuals), for non-commercial purposes, which allows the instant receipt of payments, made via the payer's on-boarded credit card or pre-paid account balance, to the receiver's PicPay account. When payment is made by credit card, PicPay acts as a sub-acquirer.
- **Professional ("PRO")**: product intended for registered users, self-employed individuals and individual microentrepreneurs ("MEI"), for commercial purposes (sale of products/services), which enables instant receipt of payments made using the balance or on-boarded credit card of other registered users. When payment is made by credit card, PicPay acts as a sub-acquirer.
- **Person-to-Business ("P2B")**: product intended for corporates for commercial purposes, in this product when payment is made using an on-boarded credit card. PicPay acts as a sub-acquirer. The following modalities are considered in this product:
 - **Business ("BIZ")**: Intended for physical stores;
 - **Electronic Funds Transfer ("EFT")**: Intended for large networks;
 - **E-commerce**: Intended for online sales stores;
 - **Signatures**: Intended for recurring sales products (i.e. subscriptions).
- **Cash withdrawal**: enables users to withdraw money from ATMs. We currently offer one free withdrawal per month and charge a fee for each subsequent withdrawal.
- **PicPay Store**: Marketplace service on PicPay where third party products sold include cell phone top-ups, transport credits, credits on digital platforms, games, clothes, accessory and other digital goods.
- **Bill Payment**: product intended for settlement of bills and other charges usually paid via bank issued bank slips.
- **Person-to-machine ("P2M")**: product in which individual users are able to make payments to merchants not accredited by PicPay, but by other acquirers with whom PicPay has an agreement with for this type of transaction, by scanning a QR-Code on the credit card machines.

- Loans: through our platform, users may obtain loans from Banco Original, Banco BV, Creditas, Digio, Empréstimo Sim and PortoCred subject to the repayment of the principal amount plus interest. As a bank correspondent, we receive commissions through the origination of loans in our platform. In the event of a default on the loan, we are not required to return the commission.
- PicPay Card: product intended for individuals, for use in debit and credit card machines from other acquirers. In this product there are two modalities:
 - PicPay Debit Card: accepted in the network of Mastercard accredited establishments;
 - PicPay Credit Card: provided through the Company's banking correspondent agreement with Banco Original.
- Pix: instant payments system launched by the BACEN, enabling users to make and receive instant payments and transfer funds instantaneously at any time.
- P2P lending: one-on-one and collective (multiple investors to multiple borrowers).

Revenue from payment transaction activities and other services:

Substantially all of this type of revenue derives from the intermediation of electronic payments in which, generally, PicPay acts as a sub-acquirer. The registered users are charged a variable fee based on the transaction amount. These fees are charged on transactions which normally involve the use of on-boarded cards within the following products: P2P, PRO and P2B (BIZ, EFT, Signatures and E-commerce). The PicPay's performance obligation is to act as an agent in capturing details of the transaction originated by the registered users and transfer this information to the acquirer who is responsible for processing and settling the transaction through the card payment scheme. In these transactions, the PicPay does not bear the significant risks and rewards of the ultimate services provided to the client, is not responsible for the authorization, processing and settlement of the transactions within the card payment scheme, does not have the ability to establish the fees charged by other parties involved in the card payment scheme to the customer and does not bear the credit risk of the cardholder. The performance obligation is fulfilled when the customer uses PicPay's platform for any of these transactions and revenue is recognized on that date. These charges are deducted directly from the transaction amount. The related transaction costs are also recognized on the transaction date.

• Bill payment: These revenues are generated when the customer uses an on-boarded credit card to pay a bill in a single installment. In these transactions, PicPay has two performance obligations, as follows:

- 1) to act as an agent in settling the customer's bill through the partner bank. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. These charges are a fixed amount per bill paid and are received on a monthly basis from the partner bank;
- 2) to act as an agent (sub-acquirer) in capturing details of the credit card transaction originated by the customer and transfer this information to the acquirer who is responsible for settling the transaction through the credit card payment scheme. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. The registered users are charged a variable fee based on the transaction amount. These charges are deducted directly from the transaction amount. The related transaction costs are also recognized on the transaction date.

Revenue from Commission — banking correspondent and marketplace

Revenue from commissions derive substantially from the following types of services:

- Store: The PicPay acts as an agent in offering the good or services of the marketplace partners and facilitating the settlement either using cash in the customers' wallet or an on-boarded card. The performance obligation is fulfilled when the customer uses PicPay's platform for these transactions and revenue is recognized on that date. The amounts charged are variable based on the transaction amount and are received on a monthly basis from the marketplace partners.
- Other services: The revenues generated by other services including P2M, Loans and PicPay Card (Debit and Credit), are not individually material.

Financial income and expenses

The Group's financial income comprises interest income. Interest income is recognized using the effective interest rate method on the principal amount. The effective interest rate is the rate that discounts estimated future cash receipts during the estimated useful life of the financial asset to the initial measurement amount of that asset.

Financial expenses comprise interest on liabilities related to transfer of assets not derecognized, losses on assignment of assets that are derecognized and remuneration on the balances held by users in their payment accounts. It also includes bank fees and interest on late payments, when applicable.

3.17 Transactions with related parties

Transactions with related parties measured at fair value are accounted as follows:

3.17.1 PicPay Brand

On May 2, 2019 (as amended on May 30, 2019 and June 7, 2019), PicPay entered into a trademark sale agreement (Instrumento Particular de Cessão de Titularidade e Exploração de Marcas e Domínios) with J&F Participações, pursuant to which PicPay sold the trademark "PicPay" and certain other trademarks and domain names to J&F Participações. Pursuant to this trademark sale agreement, PicPay may continue to use the trademark and domain names for a period of four years, which can be extended by an additional period of four years upon mutual agreement of the parties. In exchange for its continued use of the trademarks and domain names during the term of the trademark sale agreement, PicPay agreed to pay J&F Participações S.A. royalties in an amount equal to 1% of its net revenues as from May 1, 2021.

On November 1, 2019 (as amended on May 15, 2020, August 31, 2020 and November 30, 2020), PicPay entered into a trademark management agreement (Acordo Operacional para Gestão da Marca PicPay) with J&F Participações, pursuant to which J&F Participações agreed to provide ongoing brand promotion and development services in connection with the "PicPay" trademark. In consideration for the services provided by J&F Participações pursuant to this trademark management agreement, PicPay agreed to pay to J&F Participações a fixed amount per each new user that registered for the PicPay app, as well as variable compensation based on PicPay's semi-annual net revenue in excess of a specified amount.

On March 18, 2021, the PicPay and J&F Participações entered into a termination agreement with respect to the trademark management agreement (the "Termination Agreement"), but the effects of this contract were subject to the completion of the Company's initial public offering. Even though the Company had not yet completed its IPO, on September 20, 2021, the parties decided to proceed with the Termination Agreement, with the transfer from J&F Participações of the trademark "PicPay" and certain other trademarks and domain names to PicPay for no consideration, and the financial obligations of the parties pursuant to the trademark management agreement and the trademark sale agreement were terminated, pursuant to terms of the Termination Agreement. The Group expects to account for the reacquisition transaction at the amount agreed by the parties, which is zero. As no consideration was paid and the value of the trademark on a stand-alone basis is considered to be limited, no intangible asset will be recognized.

In addition, as a result of the termination agreement, the financial obligations of the parties pursuant to the trademark management agreement and the trademark sale agreement ended on September 20, 2021. Accordingly, no royalty fees will be paid by the Company, and the Company will be responsible for all of its brand promotion and development expenses in connection with the "PicPay" trademark. However, since the Company was already recognizing these expenses in profit or loss as described above, this is not expected to have a significant impact on the financial statements of the Company.

3.17.2 Credit right transferred to FIDC and to Banco Original S.A.

Among the various products and features offered by the Group to its users, the payment in installments using the products Bill Pay and P2P have a high level of adherence and acceptance by users.

Credit rights arising from payments made in installments, that include amounts paid by acquirers to PicPay acting as sub-acquirer, are transferred to the FIDC and Banco Original via a passthrough arrangement.

The Group transfers the receivables at face value, without generating a gain or a loss on transfer, and is remunerated on a monthly basis by Banco Original. Due to the fact that these transactions were carried out between the Group and counterparties under common control (related parties), the Group has adjusted the amounts recognized to reflect amounts it estimates it would have received under similar agreements with unrelated parties:

- The monthly remuneration paid by Banco Original was reverted;
- For transfers to the FIDC, the expense on the related financing was adjusted to reflect an estimated market rate for similar financing (CDI + 2.08% per year).

This adjustment was made during the period when PicPay did not hold the subordinated quotas of the FIDC. Following the acquisition of the subordinated quotas on February 23, 2021 all the transactions between PicPay and FIDC were eliminated in the consolidation process and the expense recognized reflects the interest payable on the senior quotas issued. For the transactions with Banco Original, the adjustments were made throughout the periods presented.

4. Operating segments

Operating segments are determined based on information reviewed by the Board of Directors, which is responsible for allocating resources and assessing business performance.

The Board of Directors analyzed results and made strategic decisions based on an unsegmented measure of profit or loss, therefore, the Group operates as a single reportable segment, which is payment transaction services.

There are no assets or revenues outside of Brazil.

5. Adoption of new and revised IFRSs

5.1 New standards and amendments effective for annual periods beginning on January 1, 2021

The following amended standards and interpretations did not have a significant impact on Company's financial statements:

- IBOR reform – Phase 2 final amendments issued: targeted accounting relief to ease adoption of a new benchmark rate (changes to IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16);
- Amendments to 'Insurance contracts' (IFRS 17 and IFRS 4, deferral of IFRS 9);
- Presentation of financial statements' on classification of liabilities (amendments to IAS 1).

5.2 New standards and amendments effective for annual periods beginning after January 01, 2021, and that are available for early adoption

There are a series of new standards/amendments to standards effective for annual periods beginning after January 1, 2021 that have not been early adopted. The Company does not expect significant impact on its financial statements from their adoption.

6. Critical accounting judgments and key estimates and assumptions

In applying the Group's accounting policies, management must exercise judgment and make estimates which impact the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The underlying estimates and assumptions are reviewed at least annually. The effects arising from the revisions made to the accounting estimates are recognized in the period in which they are revised.

The following are the principal judgments and estimates made by Management during the process of applying the Group accounting policies and which significantly affect the amounts recognized in the financial statements.

6.1. Useful life of plant, property and equipment and intangible assets

The Company reviews the estimated useful life of plant, property and equipment and intangible assets annually and the rates currently used are considered representative of their useful lives.

6.2. Provision for fraud risk (chargeback)

To determine the need for a provision for fraud risk (chargeback), the Group evaluates the transactions for which cancellations were requested and estimates the provision based on the history of loss.

6.3. Fair value of transactions with related parties

The Group had to estimate the market rates for transfers of credit rights to the FIDC and Banco Original and expenses for the promotion of the PicPay brand. Judgment was required to estimate the terms of these transactions as if the same transactions had been made with third parties.

6.4. Consolidation of FIDC

When assessing whether or not the Group controls FIDC, management placed more emphasis on factors other than voting or similar rights as FIDC voting rights relate mainly to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

6.5. Goodwill

The Goodwill includes the value of expected synergies and other benefits from combining the assets and activities of the business acquired with those of the Group. It was initially measured as the difference between the consideration transferred and the fair value of the identified assets and the assumed liabilities of the acquired company on the date of acquisition which involved significant judgment.

6.6. Impacts of COVID-19 on the Financial Statements

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) was a global health emergency. On March 11, 2020, the same organization raised the pandemic outbreak rating due to its global reach. This outbreak triggered significant decisions by governments and private sector entities, which added to its potential impact, increased the degree of uncertainty for economic agents and generated relevant impacts on the amounts recognized in the financial statements.

Since the beginning of the outbreak management has been continually assessing its impact on the Group's operations and equity and financial position, with the aim of implementing appropriate measures to mitigate the impacts of the outbreak on its operations and financial results.

During the pandemic, the digital wallet has proved to be an important aid tool for citizens who are in social isolation, especially for the most sensitive communities. PicPay created a Donation Center to connect people with causes linked to COVID-19. Users can make donations to different entities that today are raising funds to fight the crisis and support people. In addition, PicPay, through integration with municipal governments, has become a facilitating means for emergency aid benefits to reach citizens efficiently, quickly and safely, which increased the number of active users, transactions volumes and the balances in the portfolio.

In the year ended December 31, 2021, no significant impacts were observed as a result of the pandemic on financial assets, intangible assets, fixed assets and provisions and/or contingent liabilities.

7. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and banks	148,574	111,558
Automatic investments - current account	717	316
Cash and cash equivalents	149,291	111,874

Values that are automatically transferred by the bank to an "investment" account overnight are presented as automatic investments - current account, where the balance plus income returns to the original checking account on a daily basis.

8. Financial Investments and Derivative Instruments

a) Financial Investments

As of December 31, 2021

	Up to 30 days	From 31 to 60 days	From 181 to 365 days	Over 365 days	Cost value	Adjustment to fair value	Fair value
Securities measured at fair value through other comprehensive income	-	596,558	617,632	643,458	1,857,648	(1,349)	1,856,299
Government Bonds - LFT	-	596,558	617,632	643,321	1,857,511	(1,349)	1,856,162
Other investments	-	-	-	137	137	-	137
Financial investments with resale agreement - amortized cost	1,100,001	-	3,450,000	87,288	4,637,289	-	4,637,289
Reverse repurchase agreements:							
- Government Bonds - LTN	700,001	-	-	-	700,001	-	700,001
- Government Bonds - NTN-B	400,000	-	3,450,000	87,288	3,937,288	-	3,937,288
Total	1,100,001	596,558	4,067,632	730,746	6,494,937	(1,349)	6,493,588

As of December 31, 2020

	Up to 30 days	From 31 to 60 days	From 181 to 365 days	Over 365 days	Cost value	Adjustment to fair value	Fair value
Securities measured at fair value through other comprehensive income	-	181,287	167,124	26,968	375,379	277	375,656
Government Bonds - LFT	-	181,287	167,124	26,833	375,244	277	375,521
Other investments	-	-	-	135	135	-	135
Financial investments with resale agreement - Amortized cost	930,000	-	-	-	930,000	-	930,000
Reverse repurchase agreements:							
- Government Bonds - LFT	930,000	-	-	-	930,000	-	930,000
Total	930,000	181,287	167,124	26,968	1,305,379	277	1,305,656

b) Derivative instruments

Derivatives are contracts or agreements whose value is derived from one or more underlying indices or assets referenced in the contract or agreement, which require little or no initial net investment and are settled at a future date.

The Group uses derivatives only for economic hedging purposes and not as speculative investments. However, derivatives that do not meet the hedge accounting criteria are classified as at fair value through profit or loss.

As of December 31, 2021

	Nominal value	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days
Nominal values by risk factor and maturity						
Future contracts - Sale commitments ^{(1) (2)}						
CDI rate	2,461,224	593,088	525,285	404,678	603,923	334,251
Total	2,461,224	593,088	525,285	404,678	603,923	334,251

(1) Sale commitments refer to future contract that pay fixed and receive floating.

(2) As of December 31, 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

As of December 31, 2020, the Group did not have derivative financial instruments.

9. Trade receivables

	December 31, 2021	December 31, 2020
Financial transactions processed by acquirers	2,386,115	404,681
Services provided to related parties ⁽¹⁾	163,712	35,575
Other trade receivables	4,465	3,327
Total ^{(2) (3)}	2,554,292	443,583

(1) It primarily refers to amounts receivable for financial transactions processed by Banco Original in the role of acquirer referring to the PicPay Card product.

(2) Amount net of provisions for credit and fraud risk (chargeback) in the amount of R\$ 796 and R\$ 7,394, respectively, on December 31, 2021 (R\$ 126 and R\$ 4,119, respectively, on December 31, 2020), (Note 27).

(3) On December 31, 2020 R\$ 385,573 of these receivables had been transferred to the FIDC under a pass-through arrangement with the retention of substantially all the risks and rewards. From February 23, 2021 the FIDC is being consolidated and, on December 31, 2021 R\$ 2,341,576 of these receivables are held by the FIDC.

There are no past due receivables on December 31, 2021 and 2020. Contractual maturities of trade receivables are:

	December 31, 2021	December 31, 2020
Maturity up to 30 days	628,517	132,807
From 31 to 60 days	630,994	246,501
From 61 to 90 days	425,099	1,397
From 91 to 180 days	549,632	22,008
From 181 to 365 days	320,050	40,870
Total	2,554,292	443,583

10. Other receivables

	December 31, 2021	December 31, 2020
Receivables - related parties ⁽¹⁾	67,480	136,840
Advance to suppliers	604	2,429
Other receivables	844	-
Total	68,928	139,269

(1) Refers to amount receivable from J&F Participações for marketing expenses paid by PicPay under the reimbursement agreement related to PicPay brand.

11. Prepaid expenses

The total recognized on December 31, 2021 as prepaid expenses was R\$ 26,696 (R\$ 18,772 on December 31, 2020) which mainly relates to software licenses for user relationship and data analysis software.

12. Property, plant and equipment

The Group has no commitment to purchase property, plant and equipment.

	December 31, 2021			December 31, 2020		
	Cost Value	Accumulated Depreciation	Total	Cost Value	Accumulated Depreciation	Total
Right of use - leases ⁽¹⁾	64,230	(12,521)	51,709	49,349	(6,568)	42,781
Computers and equipment	35,125	(10,211)	24,914	26,773	(4,520)	22,253
Improvements	17,135	(4,172)	12,963	16,991	(2,148)	14,843
Furniture and utensils	3,743	(642)	3,101	3,237	(373)	2,864
Machinery and equipment	3,562	(1,228)	2,334	2,321	(203)	2,118
Facilities	89	(20)	69	89	(11)	78
Total	123,884	(28,794)	95,090	98,760	(13,823)	84,937

The changes for the period are shown below:

	December 31, 2020	Additions	Additions through business combination	Write-offs	Depreciation for the period	December 31, 2021
Right of use - leases ⁽¹⁾	42,781	14,881	-	-	(5,953)	51,709
Computers and equipment	22,253	8,657	-	(305)	(5,691)	24,914
Improvements	14,843	144	-	-	(2,024)	12,963
Furniture and utensils	2,864	611	-	(105)	(269)	3,101
Machinery and equipment	2,118	28	484	(1)	(294)	2,334
Facilities	78	-	-	-	(9)	69
Total	84,937	24,321	484	(411)	(14,240)	95,090

(1) The Group's lease agreements are detailed in Note 20.

13. Intangible assets

	December 31, 2021				December 31, 2020		
	Cost Value	Accumulated Amortization	Accumulated Impairment	Total	Cost Value	Accumulated Amortization	Total
Trademarks and patents	100	-	(100)	-	-	-	-
Internally developed software ⁽¹⁾	143,194	(23,747)	-	119,447	65,534	(4,687)	60,847
Software licenses	27,761	(13,612)	(128)	14,021	-	-	-
Computer Software or Programs - Purchased	19,240	(4,642)	(624)	13,974	10,991	(1,105)	9,886
Software acquired through business combination ⁽²⁾	61,033	-	-	61,033	-	-	-
Goodwill ⁽²⁾	45,245	-	-	45,245	-	-	-
Total	296,573	(42,001)	(852)	253,720	76,525	(5,792)	70,733

The changes for the period are shown below:

	December 31, 2020	Additions	Additions through business combination	Write-offs	Amortization for the period	Impairment for the period	December 31, 2021
Trademarks and patents	-	-	100	-	-	(100)	-
Internally developed software ⁽¹⁾	60,847	76,940	-	-	(18,340)	-	119,447
Software licenses	-	27,458	-	-	(13,309)	(128)	14,021
Computer Software or Programs - Purchased	9,886	7,500	774	(2)	(3,560)	(624)	13,974
Software acquired through business combination ⁽²⁾	-	61,033	-	-	-	-	61,033
Goodwill ⁽²⁾	-	45,245	-	-	-	-	45,245
Total	70,733	218,176	874	(2)	(35,209)	(852)	253,720

(1) The useful life of the internally developed software is defined for 5 years and the amortization is recognized as "cost of sales and services".

(2) Goodwill recognition is detailed in Note 29.

The Group has no contractual commitments for the acquisition or development of intangibles.

14. Third-party funds

	December 31, 2021	December 31, 2020
User balance - Payment accounts (Individuals) ⁽¹⁾	6,346,770	1,171,329
Balance of commercial establishments - corporates ⁽²⁾	137,406	105,930
Bank slips to be processed ⁽³⁾	26,033	11,517
Total	6,510,209	1,288,776

(1) Refers to the balance of the payment account held by users backed by financial investments and amounts referring to withdrawals pending processing at the recipient's bank.

(2) Refers to balances payable to commercial establishments related to the processing of sales via the PicPay arrangement.

(3) Bank slips paid with the PicPay application outside the bank clearing period.

15. Funding from related parties

As of December 31, 2020 refers to the balance payable to the FIDC following the transfer of credit rights through a pass-through arrangement with the retention of substantially all the risks and rewards. Following the acquisition of the subordinated quotas on February 23, 2021, PicPay has consolidated the FIDC, thus these amounts were eliminated in the consolidation process and therefore are not presented as of December 31, 2021 (R\$ 385,573 on December 31, 2020).

16. Loans

	December 31, 2021				December 31, 2020	
	Currency	Nominal interest rate per annum	Maturity	Amount	Book Value	Amount
CCB (Bank Credit Notes)	Brazilian Real	from 1.35% to 4.66%+CDI	2022	224,997	228,729	-
				224,997	228,729	-

Amounts borrowed through the issuance of CCBs (Bank Credit Notes) which do not have any covenants. The total of interest expense was R\$ 6,559 in the year ended December 31, 2021 (R\$ 0 in the year ended December 31, 2020).

17. Trade payables

	December 31, 2021	December 31, 2020
Service providers and consumables	135,195	34,317
Operational suppliers	68,915	16,163
Trade payables – related parties (Note 23)	117,372	22,171
Other suppliers	2,503	114
Total	323,985	72,765

18. Obligations to FIDC quota holders

	December 31, 2021	December 31, 2020
FIDC		
Senior quotas	1,963,600	-
Total	1,963,600	-

The obligations to FIDC quota holders relates to amounts due on senior quotas issued with the securitization of credit card receivables using the FIDC. This account includes the outstanding amount due to senior quotas (unpaid original contribution plus unpaid accrued interest expense).

The senior quotas accrue a remuneration of CDI + 3% per annum, and they will be fully redeemed at the maturity date in February 2024. In the year ended December 31, 2021, Banco Original subscribed to R\$ 977,770 of senior quotas of the FIDC that was presented as cash flows from financing activities. The interest accrued for the period was of R\$ 105,642 (R\$ 0 in the year ended December 31, 2020) recorded as "financial expenses". As of December 31, 2021, Banco Original holds 79.9% of the FIDC's total quotas.

18.1 Summarized financial information of FIDC PicPay I

	December 31, 2021 ⁽¹⁾
Current Assets	2,469,122
Total Assets	2,469,122
Current Liabilities	11,363
Non-current Liabilities	1,917,330
Total Liabilities	1,928,693
Equity	58,508
Accumulated profit for the period	481,922
Total Equity and Liabilities	2,469,123
Interest income from receivables	585,553
Other Income	16,243
Total Revenues	601,796
Other expenses	(14,232)
Interest accrued attributable to the redeemable senior quotas	(105,642)
Net cash used in operating activities	(1,363,029)
Net cash generated from financing activities	1,355,752
Net decrease in cash and cash equivalents	(7,277)

(1) The acquisition of the subordinated quotas occurred on February 23, 2021.

There are statutory restrictions over the transfer of FIDC's net assets to PicPay as the FIDC's statute requires that the FIDC maintains a minimum mandatory proportion of 10% of subordinated quotas in relation to the total of outstanding quotas in order to protect the payments due to the senior quotaholders.

19. Labor obligations

	December 31, 2021	December 31, 2020
Personnel expenses payable	151,286	52,315
Social security charges payable	41,185	9,902
Total	192,471	62,217

20. Leases

The table below shows the lease balances payable by maturity. The incremental rate used was 8.23% for 5-year agreements and 8.94% for 10-year agreements.

	December 31, 2021	December 31, 2020
Year of maturity		
2021	-	4,157
2022	6,446	4,900
2023	7,118	5,423
2024	6,372	5,817
2025	6,942	5,222
2026	7,563	-
Over 5 years	24,470	23,074
Lease liabilities	58,911	48,593

Additionally, the amount of R\$ 4,511 in the year ended December 31, 2021 (R\$ 3,950 in the year ended December 31, 2020) was recorded in financial expenses related to interest on the lease and R\$ 5,953 in the year ended December 31, 2021 (R\$ 4,860 in the year ended December 31, 2020) was registered in depreciation and amortization related to depreciation of the right of use asset (Note 12). Total cash payments of R\$ 8,849 (R\$ 5,259 in the year ended on December 31, 2020) were made under the lease contracts.

21. Provision for legal and administrative claims

	Civil claim		Labor Claim		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Opening balance	358	5	-	-	358	5
Constitution	4,428	692	43	-	4,471	692
Constitution through business combination	113	-	-	-	113	-
Reversal	(868)	(182)	-	-	(868)	(182)
Reversal due to payment	(2,613)	(157)	-	-	(2,613)	(157)
Closing balance	1,418	358	43	-	1,461	358

a) Civil claims

As of December 31, 2021, the Group recognized provisions of R\$ 1,418 (R\$ 358 in the year ended December 31, 2020) for civil claims, the majority of which are brought by PicPay users claiming compensation for moral and/or material damages. The amount considered as possible loss risk, where no provision is recognized, totals R\$ 12,459 (R\$ 3,667 in the year ended December 31, 2020). The Group estimates that the expected disbursement schedule is 18 months, however due to the uncertainty in the conclusion of the proceedings, the disbursement occurs according to the development of the claim.

b) Labor claims

As of December 31, 2021, the Group recognized a labor provision of R\$ 43 (R\$ 0 in the year ended December 31, 2020), considered with probable risk of loss where the plaintiffs claim the subsidiary conviction, as well as labor indemnities. The amount considered as a possible risk of loss, where no provision is required, is R\$ 1,124 in the year ended December, 2021 (R\$ 10 in the year ended December, 2020). The Group estimates that the expected disbursement schedule is 24 months, however due to the uncertainty in the conclusion of the proceedings, the disbursement occurs according to the development of the claim.

c) Tax claims

As of December 31, 2021 and 2020, the Group did not have tax claims classified as a possible or probable risk of loss.

22. Equity

Share capital and additional paid in share capital

As of December 31, 2021 the total authorized share capital is US\$ 200 thousand divided into 40,000,000,000 shares of a nominal or par value of US\$ 0.000005 each of which comprise (i) 1,500,000,000 Class A Common Shares; (ii) 31,000,000,000 Class B Common Shares and (iii) 7,500,000,000 remaining shares are presently undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares. The document is awaiting registration of the Cayman Islands Registrar of Companies.

The Share capital subscribed is R\$ 272 and paid-in share capital is R\$ 894,883 and is represented by 12,336,007,736 shares of which 262,800,000 are class A common shares and 12,073,207,736 are class B common shares without voting rights and with priority in the distribution of dividends, all nominative.

Additional paid-in capital relates to amounts contributed by shareholders over the par value at the issuance of shares.

a) Changes in share capital and additional paid-in share capital

	Number of shares		Total number of shares	Total amount
	Common Shares	Preferred Shares		
Changes in share capital and additional paid-in share capital - prior to the Restructuring				
Balance of shares on December 31, 2020	220,031	220,031	440,062	841,246
Shares subscribed on January 29, 2021	76,921	76,921	153,842	129,500
Shares subscribed on March 31, 2021	37,788	37,788	75,576	47,701
Total as of April 18, 2021	334,740	334,740	669,480	1,018,447

	Number of shares		Total number of shares	Total amount
	Class A Common Shares	Class B Common Shares		
Changes in share capital and additional paid-in share capital - following the Restructuring				
Balance of shares on April 19, 2021	42,570,000	857,430,000	900,000,000	336,478
Shares conversion on April 29, 2021	9,990,000	(9,990,000)	-	-
Shares subscribed on August 18, 2021	-	3,378,069	3,378,069	523
Shares subscribed on August 27, 2021	-	674,350,427	674,350,427	104,304
Shares subscribed on September 30, 2021	-	2,433,869,508	2,433,869,508	274,200
Shares subscribed on December 01, 2021	210,240,000	3,389,760,000	3,600,000,000	-
Shares subscribed on December 21, 2021	-	4,724,409,732	4,724,409,732	179,650
Total as of December 31, 2021	262,800,000	12,073,207,736	12,336,007,736	895,155

PicPay Instituição de Pagamento S.A. - Before restructuring

In the AGE held on January 29, 2021, a share capital increase of R\$ 129,500 was approved, through the issue and subscription of 153,842 shares, of which 76,921 are common shares, and 76,921 are preferred shares, all nominative and without par value.

On February 19, 2021, José Batista Sobrinho sold all their shares in PicPay to J&F Participações S.A., representing 130,610 common shares and 271,095 preferred shares. At the same date, Banco Original also sold all their shares to J&F Participações S.A., representing 134,793 common shares and therefore, J&F Participações S.A. became the Parent Company of PicPay.

In the AGE held on March 31, 2021, a share capital increase of R\$ 47,701 was approved, through the issue and subscription of 75,576 shares, of which 37,788 are common shares, and 37,788 are preferred shares, all nominative and without par value.

On March 31, 2021, J&F Participações S.A. sold some of its shares of PicPay to Anderson Andrade Chamon do Carmo and José Antônio Batista Costa, representing 22,294 preferred shares and 9,373 preferred shares respectively. The sale agreement requires that Anderson Andrade Chamon do Carmo serves as an executive of PicPay or one of its affiliates for at least 15 years, during which the restricted shares will vest in accordance with a defined schedule. If Anderson Andrade Chamon do Carmo ceases providing services, J&F Participações is required to repurchase all unvested shares for the original sale price.

PicS Ltd. - Restructuring

On March 30, 2021, PicS was incorporated as exempt company under the laws of the Cayman Islands, headquartered at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

On April 19, 2021, J&F Participações contributed its shares of PicPay to PicS. It contributed 637,811 total shares (consisting of 334,739 common shares and 303,072 preferred shares) free and clear of any encumbrances (the "Contribution Shares") issued by PicPay Serviços S.A., representing 95.26% of the share capital of PicPay Instituição de Pagamento S.A (formerly PicPay Serviços S.A.), in exchange for the issuance by PicS of 857,430,000 class B common shares.

On April 19, 2021, José Antonio Batista Costa contributed his shares of PicPay to PicS. He contributed 9,373 preferred shares free and clear of any encumbrances (the "Contribution Shares") issued of PicPay Instituição de Pagamento S.A (formerly PicPay Serviços S.A.), representing 1.40% of the total share capital of PicPay Serviços S.A., in exchange for the issuance by PicS of 12,600,000 Class A common shares.

On April 19, 2021, Anderson Andrade Chamon do Carmo contributed his shares of PicPay to PicS. He contributed 22,294 preferred shares free and clear of any encumbrances (the "Contribution Shares") of issue of PicPay Serviços SA, representing 3.33% of the total share capital of PicPay Instituição de Pagamento S.A (formerly PicPay Serviços S.A.), in exchange for the issue by the PicS of 29,970,000 Class A common shares.

On April 29, 2021, J&F Group sold 9,990,000 of their Class B common shares of PicS to AGR Holdings B.V., representing 9,990,000 Class A common shares, representing 1.11% of the total share capital of PicS AGR Holdings B.V. became the direct shareholder of PicS.

On June 30, 2021, J&F Participações S.A. and Anderson Chamon do Carmo agreed to terminate the share purchase agreement dated March 31, 2021. On termination of the agreement Anderson Chamon do Carmo transferred 29,970,000 Class A common shares of PicS to J&F Group, as registered on September 30, 2021. There was no payment on the dissolution, as Anderson Chamon do Carmo had not yet paid for the shares.

On August 18, 2021, a share capital increase of R\$ 523 was approved through the issue and subscription of 3,378,069 Class B common shares by J&F International B.V.

On August 27, 2021, a share capital increase of R\$ 104,304 was approved through the issue and subscription of 674,350,427 Class B common shares by J&F International B.V.

Events of non-controlling interest without a change in control

On July 02, 2021 J&F Participações invested R\$ 108,000 in PicPay, through the issue and subscription of 370,662 shares, of which 185,331 are common shares, and 185,331 are preferred shares, all nominative and without par value.

On July 30, 2021 J&F Participações invested R\$ 96,000 in PicPay, through the issue and subscription of 516,712 shares, of which 258,356 are common shares, and 258,356 are preferred shares, all nominative and without par value.

On September 21, 2021 J&F Participações invested R\$ 157,500 in PicPay, through the issue and subscription of 923,103 shares, of which 461,551 are common shares, and 461,552 are preferred shares, all nominative and without par value.

On September 30, 2021, J&F Participações contributed its shares of PicPay to PicS It contributed 1,810,477 total shares (consisting of 905,238 common shares and 905,239 preferred shares) free and clear of any encumbrances (the "Contribution Shares") representing 60.67% of the share capital of PicPay, in exchange for the issuance by PicS of 2,433,869,508 class B common shares totalling R\$ 274,200, according to PicPay's book value at the date.

On October 27, 2021 J&F Participações invested R\$ 140,000 in PicPay, through the issue and subscription of 1,073,043 shares, of which 536,522 are common shares, and 536,521 are preferred shares, all nominative and without par value.

On November 21, 2021 J&F Participações invested R\$ 210,000 in PicPay, through the issue and subscription of 2,441,292 shares, of which 1,220,646 are common shares, and 1,220,646 are preferred shares, all nominative and without par value.

On December 1, 2021, an ordinary resolution amended the authorised share capital of PicS from US\$ 50,000 divided into 2,000,000,000 shares to US\$ 50,000 divided into 10,000,000,000 shares through the share split of 52,560,000 issued Class A Common Shares of par value US\$ 0.000025 each into 262,800,000 Class A Common Shares of a par value of \$ 0.000005 each; and the share split of 847,440,000 issued Class B Common Shares of par value US\$ 0.000025 each into 4,237,200,000 Class B Common Shares of a par value of \$ 0.000005 each. As a result of this share split, there was an increase of 210,240,000 Class A Common Shares and 3,389,760,000 Class B Common Shares.

On December 21, 2021, J&F Participações contributed its shares of PicPay to PicS contributed 3,514,335 total shares (consisting of 1,757,168 common shares and 1,757,167 preferred shares) free and clear of any encumbrances (the "Contribution Shares") representing 54.07% of the share capital of PicPay, in exchange for the issuance by PicS of 4,724,409,732 class B common shares totalling R\$ 179,650, according to PicPay's book value at the date.

On December 23, 2021 J&F Participações invested R\$ 220,000 in PicPay, through the issue and subscription of 3,514,335 shares, of which 1,835,168 are common shares, and 1,835,169 are preferred shares, all nominative and without par value.

On December 31, 2021, an ordinary resolution amended the authorised share capital of PicS from US\$ 50,000 divided into 10,000,000,000 shares to US\$ 200,000 divided into 40,000,000,000 shares of a nominal or par value of US\$ 0.000005 each which comprise (i) 1,500,000,000 Class A Common Shares; (ii) 31,000,000,000 Class B Common Shares; and (iii) 7,500,000,000 remaining shares are presently undesignated and may be issued by our Board of Directors as common shares of any class or as preferred shares. The document is awaiting registration of the Cayman Islands Registrar of Companies.

On December 31, 2021, J&F Participações S.A and PicS transferred all of their shareholding in PicPay to PicPay Holding Ltda. became the sole shareholder of PicPay.

b) Composition of share capital

As of December 31, 2021 - PicS

	Number of Class A common Shares	Class A %	Number of Class B common shares	Class B %	Total number of shares	Total shares %
Shareholder						
J&F International B.V.	-	0.0000%	12,073,207,736	100.0000%	12,073,207,736	97.8697%
JAB Capital SP Fund	63,000,000	23.9726%	-	0.0000%	63,000,000	0.5107%
Belami Capital SP Fund	149,850,000	57.0205%	-	0.0000%	149,850,000	1.2147%
AGR Capital SP Fund	49,950,000	19.0068%	-	0.0000%	49,950,000	0.4049%
Total	262,800,000	100.00%	12,073,207,736	100.00%	12,336,007,736	100.00%

As of December 31, 2020 - PicPay

	Number of common Shares	Common shares %	Number of preferred shares	Preferred shares %	Total number of shares	Total shares %	Total amount
J&F Participações S.A.	23,377	10.62%	19,159	8.71%	42,536	9.67%	81,314
Banco Original S.A. ⁽¹⁾	99,877	45.39%	-	0.00%	99,877	22.70%	190,930
José Batista Sobrinho	96,777	43.99%	200,872	91.29%	297,649	67.63%	569,002
Total	220,031	100.00%	220,031	100.00%	440,062	100.00%	841,246

(1) Banco Original was the Controlling shareholder in accordance with the shareholders' agreement signed on October 29, 2019 until on February 19, 2021, when it sold the totality of its shares to J&F Participações S.A.

c) Capital Reserve

The effects for measuring the fair value of transactions carried out between the Company and shareholders were carried out against the capital reserve, as shown in the table below:

	December 31, 2021	December 31, 2020
Opening balance	652,766	178,245
Financial income Original ⁽¹⁾	(86,384)	(300,563)
Financial income FIDC ⁽¹⁾	34,062	118,423
Financial expenses ⁽¹⁾	8,291	34,130
Selling expenses ⁽²⁾	714,493	501,347
Cost of sales and services ⁽²⁾	82,467	121,184
Restructuring of April 19, 2021	(903,668)	-
Closing balance	502,027	652,766

(1) Effects related to the transfer of receivables to FIDC and Banco Original

(2) Effects related to the exploitation of the PicPay brand domain.

As owner of the "PicPay" trademark, J&F Participações incurred brand promotion and development expenses in 2021 and 2020. These amounts exceeded the fees paid by PicPay under the trademark management agreement. As these transactions were entered into between PicPay and one of its shareholders (a related party), we adjusted the amounts paid under the trademark management agreement to recognize the aggregate amounts that PicPay estimates that it would have paid pursuant to a similar agreement with unrelated third parties in the market, recording the effects of this adjustment in our capital reserve account. We made this adjustment based upon the brand promotion and development expenses actually incurred by J&F Participações following its acquisition of the "PicPay" trademark. J&F Participações incurred an aggregate of brand promotion and development expenses for the "PicPay" trademark of R\$ 796,960 in year ended December 31, 2021 and R\$ 424,087 in year ended December 31, 2020. We recognized the difference between these expenses incurred by J&F Participações and the fee paid by PicPay to J&F Participações as an expense with a corresponding capital increase in an equivalent amount. These amounts were recognized as selling expenses in our statement of profit and loss in an amount equal to R\$ 714,493 in year ended December 31, 2021 (R\$ 349,062 in year ended December 31, 2020) and cost of sales and services in an amount equal to R\$ 82,467 in year ended December 31, 2021 (R\$ 75,025 in year ended December 31, 2020).

As described at note 3.16.1, on September 20, 2021, the parties decided with the termination of this agreement

Credits rights transferred to FIDC and to Banco Original S.A.

These amounts were recognized in the statement of profit and loss as financial income R\$ 86,384 in the year ended December 31, 2021 (R\$ 182,140 in the year ended December 31, 2020) and financial expenses R\$ 8,291 in the year ended December 31, 2021 (R\$ 34,130 in the year ended December 31, 2020). The net impact in the year ended December 31, 2021 and 2020 was R\$ 78,093 and R\$ 148,010, respectively, with a corresponding amount recognized in the capital reserve account.

e) Earnings (loss) per share

	2021	2020
Net loss attributable to the Company's shareholders	(1,557,956)	(803,699)
Weighted average quantity of shares	2,370,444,378	127,391,334
Loss per share – basic and diluted (R\$)	(0.657)	(6.309)

There is no difference between the calculation of basic and diluted loss per share as there are no potentially dilutive shares in issuance.

Earnings (loss) per share for all periods presented has been calculated to reflect the capital structure of the Group following the Restructuring. As such, for periods prior the Restructuring, the assumed quantity of shares issued is based on the quantity of shares issued by PicS on the date of the restructuring, adjusted proportionately to reflect capital increases made in PicPay during those periods.

23. Transactions with related parties

Transactions involving related parties are carried out based on conditions negotiated between the Group and the related parties. Outstanding balances at period end are not guaranteed. On December 31, 2021 and 2020, the Group did not record any impairment loss on trade receivables related to the amounts owed by related parties as it understands that there is no significant credit risk on outstanding balances.

In the year ended December 31, 2021, the amount paid as compensation includes short and long-term benefits to key management personnel was R\$ 17,068 (R\$ 11,027 in the year ended December 31, 2020).

	J&F Participações S.A.	Banco Original S.A.	FIDC (Subsidiary) ⁽³⁾	Management's key personnel ⁽¹⁾	Others ⁽²⁾	Total
As of December 31, 2021						
Assets						
Cash and cash equivalents	-	26,032	-	-	-	26,032
Trade receivables	-	163,712	-	-	-	163,712
Financial investments	-	1,000,000	-	-	-	1,000,000
Other receivables	67,480	-	-	-	-	67,480
Prepaid expenses	-	-	-	-	-	-
Total	67,480	1,189,744	-	-	-	1,257,224
Liabilities						
Loans	-	91,949 ⁽⁹⁾	-	-	-	91,949
Trade payables	929	116,442	-	-	-	117,371
Third-party funds	-	-	-	-	1,674	1,674
Obligations to FIDC quota holders	-	1,963,600	-	-	-	1,963,600
Total	929	2,171,991	-	-	1,674	2,174,594

In the year ended December 31, 2021

Revenues and expenses

Commission – banking correspondent and marketplace	-	80,092 ⁽⁵⁾	-	-	-	80,092
Interest income from receivables	-	49,095 ⁽⁶⁾	676,954 ⁽¹⁰⁾	-	-	726,049
Revenue from financial investments	-	17,627 ⁽⁷⁾	-	-	-	17,627
Cost of sales and services	-	(38,354) ⁽⁸⁾	-	-	-	(38,354)
Financial expenses	-	(151,647) ⁽⁹⁾	(8,291) ⁽¹⁰⁾	-	-	(159,938)
Administrative expenses	(9,943) ⁽⁴⁾	-	-	(17,068)	-	(27,011)
Total	(9,943)	(43,187)	668,663	(17,068)	-	598,465

	J&F Participações S.A. (Parent)	Banco Original S.A.	FIDC (Subsidiary)	Management's key personnel ⁽¹⁾	Others ⁽²⁾	Total
As of December 31, 2020						
Assets						
Cash and cash equivalents	-	36,364	-	-	-	36,364
Trade receivables	-	35,575	-	-	-	35,575
Other receivables	136,840	-	-	-	-	136,840
Total	136,840	71,939	-	-	-	208,779
Liabilities						
Trade payables	-	22,172	-	-	-	22,172
Third-party funds	-	-	-	-	285	285
Funding from related parties	-	-	385,573	-	-	385,573
Total	-	22,172	385,573	-	285	408,030

In the year ended December 31, 2020

Revenues and expenses

Commission – banking correspondent and marketplace	-	7,478 ⁽⁵⁾	-	-	-	7,478
Interest income from receivables	-	33,945 ⁽⁶⁾	266,618 ⁽¹⁰⁾	-	-	300,563
Revenue from financial investments	-	501 ⁽⁷⁾	-	-	-	501
Cost of sales and services	-	(30,067) ⁽⁸⁾	-	-	-	(30,067)
Financial expenses	-	(112,325) ⁽⁹⁾	(34,130) ⁽¹⁰⁾	-	-	(146,455)
Administrative expenses	(11,992) ⁽⁴⁾	-	-	(11,027)	-	(23,019)
Total	(11,992)	(100,468)	232,488	(11,027)	-	109,001

(1) Includes C-suite, Board of Directors and close family members of key personnel.

(2) It includes other related parties and their close family members.

(3) The Group obtained control over FIDC PicPay I at February, 2021 in a transaction between Banco Original

Assets and liabilities with related parties

Cash and cash equivalents and financial investments: The amount refers to the current account balance and financial investments at Banco Original.

Trade receivables: primarily refers to amounts receivable for financial transactions processed by Banco Original in the role of acquirer referring to the PicPay Card product.

Other trade receivables: refers to amounts receivable as provided for in the agreement for the reimbursement of marketing expenses related to the PicPay brand.

Trade payables: the amount payable to Banco Original is related to the cost of issuing, processing and settling the bank slips, the cost of producing the PicPay Card, the withdrawal cost and the transfer of the amount transacted in P2M.

Third-party funds: refers to the balance in the pre-paid accounts of related parties.

Funding from related parties: As of December 31, 2020 it relates to the present value of the amounts to be paid to the FIDC under the pass-through arrangement. On December 31, 2021 the FIDC is consolidated and therefore these amounts are eliminated in the consolidation process.

Obligations to FIDC quota holders: refer to the amount payable to on the senior quotas.

Revenues and expenses with related parties

(4) The "PicPay" brand was sold to J&F Participações on May 2, 2019. The transaction price was based on the discounted cash flows of the related contracts determined by an independent appraisal report. With the sale of the brand, the Company transferred ownership of all rights and obligations over the brand and its promotion, continuing to have the right to use the brand by making fee payments to J&F Participações based on net revenue and paying additional amounts for the provision of marketing services based on the number of new users and the growth in revenue, as disclosed in Note 22c this trademark agreement was terminated on September 20, 2021. In the year ended December 31, 2021, the amount of R\$ 9,943 (R\$ 11,992 in the year ended December 31, 2020) were paid as fees.

(5) Revenues related to the agreements with Banco Original

PicPay and Banco Original entered into an Application Programming Interface Agreement (Contrato de Uso de API de Pagamento), pursuant to which the terms and conditions were established governing PicPay's use of Banco Original's application programming interface. The Application Programming Interface Agreement grants PicPay a temporary and limited license to use, access and copy Banco Original's application programming interface. The term of the agreement is for an indefinite period and either party may terminate the agreement upon 90 days' notice. In addition, Banco Original can suspend, modify, revoke or otherwise terminate this license and its right of access and technical specifications to its application programming interface services upon providing PicPay 30 days' or 60 days' notice, the amount of notice depending on what is being suspended, modified, revoked or terminated. Under this agreement, Banco Original pays PicPay for the use of the API PAG for settlement of slips. The revenues PicPay generated due to this agreement with Banco Original were recognized in the statement of profit and loss as "commission — banking correspondent and marketplace" was of R\$ 8,731 in the year ended December 31, 2021 (R\$ 3,463 in the year ended December 31, 2020).

On September 11, 2018, PicPay and Banco Original entered into a Banking Correspondent Services Agreement (Contrato de Prestação de Serviços de Correspondente Bancário), pursuant to which PicPay provides certain services to Banco Original relating to receipts, payments and other activities relating to third parties and receiving and forwarding proposals for Banco Original credit cards. The term of the agreement is for 24 months and may be terminated by either party by providing 30 days' notice. As of the issuance date of these financial statements, the parties are still negotiating the terms and conditions to renew the term of this agreement. Under this agreement, Banco Original pays to PicPay a fee per active credit card the amount paid in the year ended December 31, 2021 was R\$ 2,809 (R\$ 227 in the year ended December 31, 2020); a percentage of the total amount of credit contracted and other percentage related to the installments, the amount paid in the year ended December 31, 2021 was R\$ 41,503 (R\$ 427 in the year ended December 31, 2020). Also, due to the fact that this agreement is linked with the Application Programming Interface Agreement (Contrato de Uso de API de Pagamento), PicPay is remunerated for the use of the API PAG for settlement of bank slips, as described above.

PicPay and Banco Original entered into a Credit Card Partnership Agreement (Contrato de Parceria para Emissão de Cartão de Pagamento), pursuant to which the parties agreed to develop, promote and offer a co-branded PicPay credit card to our customers under a revenue-sharing scheme. The Credit Card Partnership Agreement has a term of 10 years and will be automatically renewed for another five years, unless either party objects at least six months before the original term expires. Either party may terminate the agreement: (1) by providing 180 days' notice to the other party; or (2) upon the breach of a provision by the other party and such failure continues for more than 30 days by providing notice. Under this agreement, Banco Original pays a percentage of credit and debt card's interchange fee to PicPay. The revenues PicPay generated due to those agreements with Banco Original regarding PicPay Card were recognized in the statement of profit and loss as financial income of R\$ 19,190 in the year ended December 31, 2021 (R\$ 1,026 in the year ended December 31, 2020).

PicPay and Banco Original entered into a Corporate Credit Card Issuance Agreement (Contrato de Emissão de Cartão de Crédito Virtual Corporativo), pursuant to which Banco Original agreed to issue virtual credit cards to PicPay's customers. The term of the contract is indefinite and either party may terminate the agreement by providing 30 days' notice. Under this agreement, Banco Original pays a percentage of the interchange fee to PicPay. The revenue PicPay generated under this agreement with Banco Original were recognized in the statement of profit and loss as "commission — banking correspondent and marketplace" of R\$ 3,744 in the year ended December 31, 2021 and (R\$ 2,335 in the year ended December 31, 2020).

(6) According to the agreement signed, PicPay's users assign their installment transactions electronic currency credit rights to Banco Original. PicPay acts as a representative of the assignors and intermediary of the operations, but the payment of PicPay to Banco Original is made by the creditor's balance. In the year ended December 31, 2021, these operations totaled R\$ 49,095 (R\$ 33,945 in the year ended December 31, 2020) presented in "Financial Income".

(7) In the year ended December 31, 2021 PicPay had financial investments placed with Banco Original, which generated financial income of R\$ 17,627 in the year ended December 31, 2021 (R\$ 501 in the year ended December 31, 2020) Note 9.

(8) Expenses related to the agreements with Banco Original recognized as "cost of sales and services":

PicPay pays Banco Original for the use of the API TED Envio and API Emissão de Boleto. The expense PicPay incurred due to this agreement with Banco Original were recognized in the financial statement was of R\$ 32 in the year ended December 31, 2021 (R\$ 5,093 in the year ended December 31, 2020).

PicPay and Banco Original entered into a QR Code Service Agreement (Contrato de Prestação de Serviços Saque QR Code). According to the terms of this agreement, Banco Original agreed to provide certain services to PicPay, allowing PicPay to provide to its users the ability to withdraw amounts in their accounts by using a QR Code at ATMs. The term of this agreement is for an indefinite period. Either party may terminate the agreement: (1) by providing 90 days' notice; and (2) upon the breach of a provision by the other party by providing at least 10 days' notice commencing on the date that notice of the breach is received by the defaulting party.

Under this agreement, PicPay pay a fee to Banco Original, according to the amount of withdrawals made per month. The expense PicPay incurred due to this agreement with Banco Original were recognized in the financial statements as Cost of sales and services in the amount of R\$ 38,322 in the year ended December 31, 2021 (R\$ 24,974 in the year ended December 31, 2020).

(9) Expenses related to the agreements with Banco Original recognized as "financial expenses":

PicPay assigns credit rights generated from its users installment transactions to Banco Original without retention of substantially all the risks and rewards. In the year ended December 31, 2021 the sum of the credits transferred from the assigned totaled R\$ 8,368,377 (R\$ 5,565,526 in the year ended December 31, 2020). The net result of credit assignments is shown in "Financial expenses" in the amount of R\$ 38,196 in the year ended December 31, 2021 (R\$ 6,674 in the year ended December 31, 2020).

Under agreements signed on June 4, 2020 and on December 18, 2020, Banco Original granted PicPay a 90-day revolving credit facility. The amounts withdrawn from this credit line incurred interest of 2% per month as used. This credit line is automatically renewed for equal periods and can be terminated by either party at any time. The total interest paid for the use of this credit to Banco Original in the year ended December 31, 2021 was of R\$ 11 (R\$ 9 in the year ended December 31, 2020).

The Group recorded as interest due to FIDC senior quota holders the total R\$ 105,642 in the year ended December 31, 2021 (R\$ 0 in the year ended December 31, 2020).

In July 28, 2021 PicPay signed a loan agreement with Banco Original for R\$ 90,000 with maturity date of 92 days and nominal interest of 4.66% + CDI. Interest accrued on this loans was R\$ 4,267 in the year ended in December 31, 2021 (R\$ 0 in the year ended December 31, 2020).

(10) The FIDC is the investment fund the Group uses to offer installment payment solutions to its users. Prior to the acquisition of FIDC in February 2021 (for more detail, see Note 1) the PicPay transferred credit rights generated from its users installment transactions to the FIDC, under a pass-through arrangement but retaining substantially all risks and rewards. Credit rights transferred to FIDC at a nominal amount from assignments amounted to R\$ 761,492 through February 23, 2021 (R\$ 2,689,244 in the year ended December 31, 2020) of which the net amount of R\$ 680,330 was collected in 2021 (R\$ 2,247,601 in the year ended December 31, 2020). The amount presented in "Financial Income" referring to interest income from these receivables totals R\$ 37,289 through February 23, 2021 (R\$ 212,490 in the year ended December 31, 2020). The amount presented in "Financial Expenses" referring to the interest expense for the funding provided by FIDC through February 23, 2021 amounted to R\$ 8,291 (R\$ 34,130 in the year ended December 31, 2020).

24. Total revenue and financial income

a) Net revenue from payment transaction activities and other services

	2021	2020
Revenue from payment transaction activities and other services ⁽¹⁾	386,123	140,080
Commissions - banking correspondent and marketplace ⁽²⁾	140,517	135,832
Other revenues	1	3
(-) Tax expenses	(103,096)	(48,565)
Total revenue	423,545	227,350
Merchant Discount Rate ("MDR") cost ⁽³⁾	(197,263)	(144,146)
Total cost	(197,263)	(144,146)
Net revenue	226,282	83,204

(1) Refers to fee income charged for the intermediation of electronic payments it includes P2P, PRO, P2B, and Bill Payments products, net of reversal revenue chargebacks and incentives considered component of revenues.

(2) It includes agreements signed between PicPay and Banco Original and commission on the transactions carried out in the app store (marketplace partners) (Note 23).

(3) Merchant Discount Rate ("MDR") cost is a fee paid to the acquirer, charged for a transaction carried out under the payment transaction. MDR are charged for all transactions made by the user with on-boarded credit cards and virtual debit cards from Caixa Econômica Federal.

b) Financial income

	2021	2020
Interest income from receivables	726,049	300,563
Revenue from financial investments	192,196	5,666
Other revenues	183	125
Total	918,428	306,354

25. Expenses by nature

	2021	2020
Marketing expenses ⁽¹⁾	(1,004,032)	(529,243)
Transactions expenses ⁽²⁾	(679,106)	(291,408)
Personnel expenses	(610,656)	(198,049)
Financial expenses ⁽³⁾	(446,186)	(70,547)
Technology expenses ⁽⁴⁾	(151,631)	(53,541)
Administrative expenses ⁽⁵⁾	(101,483)	(36,079)
Depreciation and amortization ⁽⁶⁾	(49,326)	(14,063)
Tax expenses	(2,800)	(418)
Other income	-	91
Total	(3,045,220)	(1,193,257)
Classified as:		
Cost of sales and services	(572,228)	(290,543)
Selling expenses	(1,260,280)	(585,524)
Administrative expenses	(488,062)	(189,360)
Financial expenses	(445,392)	(70,547)
Other (expenses) income net	(279,258)	(57,283)
Total	(3,045,220)	(1,193,257)

(1) The composition of the amount spent was mainly: in promotional campaigns (user incentives to promote increased user engagement and new user acquisition) R\$ 587,309 in the year ended December 31, 2021 (R\$ 248,056 in the year ended December 31, 2020); in advertising R\$ 172,262 in the year ended December 31, 2021 (R\$ 57,464 in the year ended December 31, 2020); and in media and production R\$ 199,433 in the year ended December 31, 2021 (R\$ 217,957 in the year ended December 31, 2020);

(2) It relates mainly to credit card issuance in the amount of R\$ 100,049 in the year ended December 31, 2021 (R\$ 15,668 in the year ended December 31, 2020), chargeback expenses of R\$ 257,898 in the year ended December 31, 2021 (R\$ 43,285 in the year ended December 31, 2020), expenses related to verification and prevention of fraud in registration and transactions with users of R\$ 251,312 in the year ended December 31, 2021 (R\$ 34,679 in the year ended December 31, 2020), write off related to operational failures that occur during payment processing of R\$ 58,388 in the year ended December 31, 2021 (R\$ 40,021 in the year ended December 31, 2020), processing fees charged by the liquidating banks of R\$ 54,904 in the year ended December 31, 2021 (R\$ 53,954 in the year ended December 31, 2020), MDR expenses for which there was no corresponding revenue, resulting from actions to grow the user base, of R\$ 0 in the year ended December 31, 2021 (R\$ 105,516 in the year ended December 31, 2020), and tax credits of R\$ (43,630) (R\$ (24,849) in the year ended December 31, 2020);

(3) Relates mainly to the interest on advance of receivables of R\$ 79,155 in the year ended December 31, 2021 (R\$ 56,479 in the year ended December 31, 2020), remuneration of the balance of the users portfolio of R\$ 241,492 in the year ended December 31, 2021 (R\$ 8,372 in the year ended December 31, 2020), interest to fund FIDC senior quota holders of R\$ 105,642 in the year ended December 31, 2021 (R\$ 0 in the year ended December 31, 2020) and interest on lease agreements of R\$ 4,511 in the year ended December 31, 2021 (R\$ 3,950 in the year ended December 31, 2020). Interest accrued to loans R\$ 6,559 in the year ended December 31, 2021 (R\$ 0 in the year ended December 31, 2020) and fair value changes of derivative instruments R\$ 2,941 in the year ended December 31, 2021 (R\$ 0 in the year ended December 31, 2020) also comprise part of the balance. In addition, includes taxes on financial transactions, default interest (interest paid on late payments to our suppliers), and bank fees (including transfer fees we pay in connection with payments to our suppliers);

(4) Technology expenses are related to server infrastructure in the amount of R\$ 88,770 in the year ended December 31, 2021 (R\$ 32,514 in the year ended December 31, 2020), data analysis and control R\$ 24,085 in the year ended December 31, 2021 (R\$ 1,691 in the year ended December 31, 2020), maintenance/monthly payments of systems in the amount of R\$ 17,950 in the year ended December 31, 2021 (R\$ 6,180 in the year ended December 31, 2020) and software license R\$ 13,372 in the year ended December 31, 2021 (R\$ 881 in the year ended December 31, 2020);

(5) These expenses primarily relate to consulting, advice and building expenses.

(6) The depreciation and amortization expenses are segregated between Cost of sales and services and Selling expenses and Administrative expenses as shown below:

	2021	2020
Depreciation		
Cost of sales and services	(4,882)	(3,137)
Selling expenses	(1,812)	(920)
Administrative expenses	(8,195)	(6,674)
	(14,889)	(10,731)
Amortization		
Cost of sales and services	(23,902)	(4,161)
Selling expenses	(2,051)	(203)
Administrative expenses	(9,288)	(1,114)
	(35,241)	(5,478)
Depreciation and amortization	(50,130)	(16,209)
PIS and COFINS credits ⁽¹⁾	804	2,146
Depreciation and amortization	(49,326)	(14,063)

(1) PicPay has a tax benefit on PIS and COFINS that allows it to reduce the depreciation and amortization expenses when incurred.

26. Taxes

26.1 Recoverable taxes

	December 31, 2021	December 31, 2020
Income tax to offset ⁽¹⁾	56,426	4,926
Total	56,426	4,926

(1) Primarily relates to withholding income taxes on income from financial investments which can be offset from other federal taxes.

26.2 Taxes payable

	December 31, 2021	December 31, 2020
Income tax of users ⁽¹⁾	18,580	206
Income tax on payroll	17,464	5,545
Social contribution on revenues	4,713	4,174
Other Taxes	3,079	2,088
Total	43,836	12,013

(1) Relates to income tax to pay on remuneration of the balance of the users portfolio

26.3 Income Tax

	December 31, 2021	December 31, 2020
Income tax ⁽¹⁾	387	-
Total	387	-

(1) Credit related to subsidiary Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.), primarily relates to reversion of income tax provision after business combination.

26.4 Unrecognized deferred tax assets

Deferred tax assets and liabilities, shown in the table below, were calculated on tax loss / base negative social contribution on net income and temporary differences at the rate of 34%.

In year ended December 31, 2021, Group had tax losses of R\$ 1,077,788 and accumulated tax losses of R\$ 1,676,326 (R\$ 402,375 on December 31, 2020). No deferred tax assets were recognized. Under Brazilian tax legislation carry-forward tax losses do not expire but their use is limited to 0% of the taxable profit in each year:

	December 31, 2020	Additions	Additions through business combination	Write-offs	December 31, 2021
Unrecognized deferred tax assets					
Corporate Income Tax	100,594	260,676	58,038	(226)	419,082
Social Security Contribution	36,214	93,843	20,894	(81)	150,869
Total	136,808	354,519	78,932	(307)	569,952

27. Risk management

27.1 Risk management

The Group has a specific structure for risk management, including policies and procedures, covering the evaluation and monitoring of operational, credit and liquidity risks (including cash flow and investments of funds held in payment accounts) incurred by the institution.

This process is continuous, continuously reviewed and serves as the basis for the Group's strategies, the primary risks related to financial instruments are:

Credit risk

Credit risk is the possibility that a counterparty will not comply with its obligations, whether under an agreement or a financial instrument, leading to a drop in expected cash receipts or financial loss.

The Group is a prepaid payment institution and does not make loans to its users. The Group's credit risk arises from its cash, cash equivalents, financial investments, acquirer receivables and other receivables.

• Cash and cash equivalents

Credit risk related to bank account balances and investments in financial institutions are managed by Risks and Treasury areas, with priority being given to institutions with "AAA" assessment by rating agencies (Moody's, S&P or Fitch). Based on Group risk assessment, the expected credit loss is not material since the accounts receivable are mainly comprised of high liquidity investments and operational accounts, approved by large financial institutions that have a low overall risk level based on ratings received from major credit rating agencies. Additionally, these financial institutions are the legal obligors to the accounts receivable.

• Financial investments

These primarily relate to bonds issued by the Brazilian government and reverse repos collateralized by bonds issued by the Brazilian government. There is no significant expected credit loss recognized for these assets.

• Acquirer receivables

The Group recognizes amounts to receive from acquirers from its activity as a sub-acquirer and also when its users use its app to settle bank slips or make other payments using an on-boarded credit card. These receivables are due in up to twelve monthly installments. As a result the Group is exposed to the risk of default by the acquirers.

The Group uses national acquirers seeking to avoid concentration in any single acquirer and increase financial efficiency, the Group transfers all receivables to either the FIDC (with recourse) or to Banco Original (without recourse), effectively advancing their settlement, PicPay processes all credit card transactions with the acquirers Stone, Cielo and Getnet.

The Group uses only acquirers authorized to operate by the BACEN, which are supervised and monitored by BACEN, including the minimum equity level for the operation, and which have a national "AAA" rating by the rating agencies (Moody's, S&P or Fitch). The acquirers may default on their financial obligations due to lack of liquidity, operational failure or other reasons, situations in which Group can be held responsible for making the payment of receivables to commercial establishments without the receipt of the amounts by the acquirer. Until now, The Group has not suffered losses on receivables from acquirers.

The Group management does not expect any significant losses from non-performance by these counterparties in addition to the amounts already recognized as chargebacks.

The payments arrangement (Visa, Mastercard, Elo and others) has its own risks and guarantee models to evaluate and mitigate the default risk of the issuers, which mitigate the risk of the acquires and the systemic risk of Brazilian payment arrangements. Additionally, the acquires and issuers have others risks mitigation such as:

• Amounts due within 27 days of the original transaction, including those that fall due with the first installment of installment receivables, are guaranteed by the payment arrangement in the event that the legal obligors do not make payment.

• Processes for mitigating operational failures, such as fraud prevention, limitations anticipating the agenda, among others.

Credit card issuers are supervised by BACEN.

As of December 31, 2021, the Group had an amount receivable totaling R\$ 2,625,074 (R\$ 415,153 on December 31, 2020) from the acquirers, and based on the probabilities of default attributed by the rating agencies and the risk mitigation processes presented above, the Group made a provision for expected credit losses in the amount of R\$ 791 (R\$ 126 on December 31, 2020).

• Other receivables

Other receivables relate mainly to transactions involving related parties that are based on conditions negotiated between Group and related companies. At December 31, 2021, the Group did not record any impairment loss on accounts receivable related to the amounts due from related parties as it understands that there is no significant credit risk on outstanding balances.

Market Risk

Market risk is defined as the possibility that the market value of financial instruments or investments will increase or decrease as a result of volatility and unpredictable movements in market valuations.

As of December 31, 2021 the Group had derivative financial instruments for hedge purpose. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

a) Interest rate risk

PicPay has sovereign debt securities and reverse repos to comply with BACEN "Circular No. 3,681", which requires that payment institutions maintain the total value of their users' balance in: government bonds with a term of less than 540 days, reverse repos collateralized by government bonds, and / or balance in a specific account with BACEN. Investments in government bonds are classified at fair value through other comprehensive income. In this portfolio, the Company is primarily exposed to fluctuations in the SELIC (basic interest rate in Brazil).

The table below shows the composition of the portfolio allocated to comply with the requirements of Circular No. 3,681:

	Index	Maturity	Amount
Type			
Government Bonds - LFT	SELIC	01/03/2022	596,320
		01/09/2022	617,592
		01/03/2023	642,387
Reverse repurchase agreements - Government Bonds - LTN	Fixed Rate	03/01/2022	700,001
		03/01/2022	400,000
Reverse repurchase agreements - Government Bonds - NTN-B	Fixed Rate	15/08/2022	3,450,000
		15/08/2026	87,288
Total			6,493,588

In addition, the Group performed a sensitivity analysis regarding the interest rates to which its is exposed as a result of the financial assets held and financial liabilities issued on December 31, 2021. As a premise, impacts of 10% upwards or downwards were adopted, both in the SELIC rate and in the CDI rate. As a result, financial income and liability from short-term investments and sovereign debt securities would be impacted as follows on the annual results assuming no alterations in any other variables. The table below shows the impact on profit or loss and other comprehensive income from these changes in interest rates. For financial instruments measured at amortized cost, the impact is for a 12 month period with cashflow impact, and assumes no alterations in any other variables. For financial instruments measured at fair value, the impact, is the change in fair value of such a change in interest rates.

	Rate risk	Total portfolio amount	Basic interest rate shock	
			+10%	-10%
Type				
Financial assets				
Government Bonds - LFT	SELIC	1,856,299	1,429	(1,429)
Financial liabilities				
Senior quotas	CDI+3%	(1,963,600)	(14,609)	14,609
Third party funds ⁽¹⁾	CDI	(6,510,209)	(28,905)	28,905
Futures Contract - CDI Rate ⁽²⁾	CDI	2,461,224	10,928	(10,928)

(1) As a business strategy for the purpose of attracting and maintaining its user base, PicPay use the "CDI rate" (meaning Brazilian interbank deposit rate) to daily remunerate the wallet balance of PicPay users. Although, there is no set deadline for termination, PicPay can end the remuneration of its's users balances, at any time, since there is no legal requirement. Such lack of obligation serves as a risk mitigator in case of high interest rate movements, allowing PicPay to cease it at its own convenience.

(2) Futures Contract - CDI Rate to hedge interest rate risk of the assets and liabilities of the FIDC.

b) Foreign exchange risk

The Group has some contracts with suppliers in foreign currency. These commitments refer to services provided and software licenses, among others. The Group monitors these payments and exposures to foreign currency.

The table below shows the sensitivity to a shock in the US dollar quotation, with all other variables kept constant.

	Rate risk	Total exposure on December, 31, 2021	+10%
Type			
Trade payables	Dolar	2,638	264

Liquidity risk

Liquidity Risk is the possibility that the Group does not have sufficient liquid resources to honor its financial commitments, due to a mismatch in terms of volume between the receipts and payments provided for in its cash flow.

PicPay's liquidity management processes include:

- Cash liquidity monitoring: daily update of the administrative and operational cash flow, detailing the inflows and outflows, including the cash projection and stress scenario.
- Minimum cash limits: establishing minimum cash limits, which allow preemptive actions to be taken to ensure sufficient resources to meet financial commitments.

The Company's projected cash flow is generated and monitored daily by the treasury to ensure that the Company has the necessary resources to meet financial commitments and operational needs. For the projection of cash, growth assumptions and stress factors are used, which include increased losses and expenses.

The information on financial liabilities is essential information for the projection and management of cash flow, ensuring that the Company has the necessary resources to settle its obligations. The table detailing the contractual maturity of lease liabilities is presented in Note 20.

As a cash management procedure, the treasury invests surplus funds in highly liquid and low risk assets. It is important to note that PicPay does not have assets pledged as guarantees for loans, financial operations or contractual obligations.

The table below shows the contractual maturity of financial assets and liabilities:

Financial assets

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
As of December 31, 2021							
Financial investments	4,637,289	596,320	-	-	617,592	642,387	6,493,588
Trade receivables	628,517	630,994	425,099	549,632	320,050	-	2,554,292
Other trade receivables	1,448	-	-	-	-	67,480	68,928
Total	5,267,254	1,227,314	425,099	549,632	937,642	709,867	9,116,808
As of December 31, 2020							
Financial investments	930,000	181,441	-	-	167,213	27,002	1,305,656
Trade receivables	126,619	181,595	2,819	94,422	20,284	17,844	443,583
Other trade receivables	25,583	999	999	999	999	109,690	139,269
Total	1,082,202	364,035	3,818	95,421	188,496	154,536	1,888,508

Financial liabilities

	Up to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 365 days	Over 365 days	Total
As of December 31, 2021							
Third-party funds	6,500,169	7,046	2,994	-	-	-	6,510,209
Trade payables	297,127	19,003	1,900	3,741	2,214	-	323,985
Loans	91,949	-	136,330	-	-	-	228,279
Obligations to FIDC quota holders ⁽¹⁾	-	-	-	-	-	1,963,600	1,963,600
Total	6,889,245	26,049	141,224	3,741	2,214	1,963,600	9,026,073
As of December 31, 2020							
Third-party funds	1,288,334	153	35	107	147	-	1,288,776
Funding from related parties	89,470	84,340	68,784	106,711	36,268	-	385,573
Trade payables	69,051	170	200	44	3,300	-	72,765
Total	1,446,855	84,663	69,019	106,862	39,715	-	1,747,114

(1) The contractual maturity of the obligations to FIDC quota holders are presented considering that they will be redeemed at the maturity date, however, extraordinary early payment of the senior quotas of the FIDC may be required in the following cases: (i) through the General Meeting of Quotaholders, exclusively for purposes of ensuring compliance of the FIDC's assets with the Minimum Allocation requirements or (ii) due to non-compliance with the Minimum Allocation requirements due to insufficiency of assignment of Credit Rights.

A large portion of third-party funds are classified as due in 'up to 30 days' as they can contractually be withdrawn immediately. However historic behavior of clients suggests that these amounts will not be withdrawn in this time period. Additionally the related government bonds, purchased to comply with BACEN standard Circular 3,681 and recognized as Financial investments, may have a maximum maturity term of 540 days but have historically had a high liquidity in the Brazilian market.

Fraud Risk

The Group is exposed to several operational risks, the most relevant being the risk of fraud, which is an undue, illegal or criminal activity that causes a financial loss for one of the parties involved in a financial transaction within the PicPay arrangement. Credit card fraud includes unauthorized use of lost, stolen, fraudulent, counterfeit, or altered cards, as well as misuse of the PicPay user payment account. Within this scenario, the Group is exposed to losses due to transaction chargeback (cancellations).

The chargeback process starts when a user makes a transaction via credit card in the PicPay application and, for reasons unrelated to PicPay, decides to contest the transaction with the card issuer who forwards it to the acquirer who performs the transaction cancellation, reducing the amount of payables it has outstanding with PicPay.

The Group has areas dedicated to preventing fraud with the development of anti-fraud processes and strategies and real-time monitoring of transactions using payment account balance or credit card for bank slips, withdrawals or transfers between users, identifying, approving or declining transactions.

27.2 Capital Management

The Group has implemented processes and controls to ensure that the Group meet the minimum equity capital adjusted by the results (equity capital plus profit/losses into the period) thresholds required under BACEN regulations which aims to ensure that payment institutions have sufficient equity to support the operation. Pursuant to such regulations, PicPay's minimum adjusted equity capital must be equivalent to the greater of:

- 2% of the monthly average of payment transactions for the last 12 months; or
- 2% of the balance in the portfolio at the end of the month.

Adjusted equity is calculated as the share capital, plus the value of future capital increase and revenues and subtracting the costs and expenses and the accumulated loss for the year.

The Risk area calculates these values on a monthly basis.

As of December 31, 2021 PicPay's capital requirement based on 2% of the monthly average transactions in the last 12 months was R\$ 128,725 PicPay's adjusted equity was R\$ 399,228 thus covering 310% of the required amount.

27.3 Financial instruments

As of December 31, 2021 the carrying amount of the Group's financial instruments not measured at fair value in the statement of financial position is a reasonable approximation of their fair value, as they are mainly represented by short-term items and are indexed to market rates.

The financial assets held by PicPay relate to:

- Receivables generated by its activities as a payment arrangement institution;
- Cash liquidity management available; and
- Regulatory obligations to cover the amounts of third-party funds (i.e. the amount of electronic currency issued) as required by Circular 3,681;
- Derivative instruments to hedge floating interest rate risk of the senior FIDC quotas and fixed rate of government securities.

27.3.1. Financial instruments by category

Financial assets

	Amortized Cost	FVTPL ⁽¹⁾	FVOCI ⁽²⁾	Total
As of December 31, 2021				
Amounts receivable from acquirers	2,386,115	-	-	2,386,115
Government Bonds - LFT	-	-	1,856,299	1,856,299
Reverse repurchase agreements - Government Bonds - LTN	700,001	-	-	700,001
Reverse repurchase agreements - Government Bonds - NTN-B	3,850,000	-	-	3,850,000
Other investment	-	-	137	137
Futures Contract - CDI Rate (3)	-	-	-	-
Trade receivables	168,177	-	-	168,177
Other receivables	68,928	-	-	68,928
Total	7,173,221	-	1,856,436	9,029,657
As of December 31, 2020				
Amounts receivable from acquirers	404,681	-	-	404,681
Government Bonds - LFT	-	-	375,521	375,521
Reverse repurchase agreements - Government Bonds - LFT	930,000	-	-	930,000
Other investment	-	-	135	135
Trade receivables	38,902	-	-	38,902
Other receivables	139,269	-	-	139,269
Total	1,512,852	-	375,656	1,888,508

(1) FVTPL: fair value through profit or loss;

(2) FVOCI: fair value through other comprehensive income.

(3) As of December 31, 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

Financial liabilities

	Amortized Cost	FVTPL ⁽¹⁾	Total
As of December 31, 2021			
Third-party funds	6,510,209	-	6,510,209
Trade payables	323,985	-	323,985
Obligations to FIDC quota holders	1,963,600	-	1,963,600
Loans from related party	228,279	-	228,279
Total	9,026,073	-	9,026,073
As of December 31, 2020			
Third-party funds	1,288,776	-	1,288,776
Funding from related parties	385,573	-	385,573
Trade payables	72,765	-	72,765
Total	1,747,114	-	1,747,114

(1) FVTPL: fair value through profit or loss;

27.3.2. Measurement of Fair Value

The following table shows the comparison between the carrying amount and the fair value of PicPay's financial instruments:

Estimated fair value

	December 31, 2021			December 31, 2020		
	Carrying amount	Fair value	Hierarchy Level	Carrying amount	Fair value	Hierarchy Level
Financial assets						
Government Bonds - LFT ⁽¹⁾	1,856,162	1,856,162	level I	375,521	375,521	level I
Other investment ⁽²⁾	137	137	level I	135	135	level I
Futures Contract - CDI Rate ⁽³⁾	-	-	level I	-	-	
Total	1,856,299	1,856,299		375,656	375,656	

(1) Due to their high liquidity and the short-term nature, the carrying amount of financial investments is a reasonable approximation of their fair value.

(2) Other investment is a fixed income investment, with daily liquidity where the carrying amount is considered to be a reasonable approximation of the fair value.

(3) As of December 31, 2021 the fair value of these derivative contracts is not significant because they are daily settled with the exchange on which they were contracted.

The carrying amounts of related parties, prepaid expenses, advances to suppliers and trade payables are measured at amortized cost and are recorded at their original value. Settlement periods do not exceed 60 days and therefore the carrying amounts are considered reasonable approximation of the fair values. Due to the high liquidity and the short-term nature of reverse repurchase agreements, the carrying amounts are considered to be a reasonable approximation of the fair values.

As of December 31, 2021 and 2020, there were no transfers between the fair value measurements of Level I and Level II or between Level II and Level III.

27.3.3 Offsetting of financial instruments

The balances of financial assets and liabilities can be offset (net amount) if there is a legally enforceable document in which the parties agree to offset the recognized amounts and intend to settle on a net basis, or to realize the asset and settle the liability simultaneously. As of December 31, 2021 and 2020 PicPay does not have financial instruments that meet the conditions for recognition at net value.

28. Reconciliation of changes in equity and liabilities with cash flows from financing activities

	Liability			Equity	
	Obligations to FIDC quota holders	Related party funding	Loans	Share Capital and additional paid in share capital	Capital Reserve (22c)
Balances as of December 31, 2020	-	385,573	-	841,246	652,766
Variations with effect on cash	977,770	409,911	221,720	1,072,356	-
Capital contributions	-	-	-	1,072,356	-
Related party funding payment	-	(245,755)	-	-	-
Funding receipt	-	680,330	224,997	-	-
Interest paid related funding party	-	(24,664)	-	-	-
Interest loans	-	-	(3,277)	-	-
Proceeds of FIDC senior quotas ⁽¹⁾	977,770	-	-	-	-
Variations without effect on cash	985,830	(795,484)	6,559	(1,018,447)	(150,739)
Transactions with related parties	-	37,289	-	-	752,929
Restructuring of april 19, 2021	-	-	-	(1,018,447)	(903,668)
FIDC aquisition effects ⁽²⁾	880,189	(832,773)	-	-	-
Interest accrued on FIDC senior quotas	105,641	-	-	-	-
Interest accrued on loans	-	-	6,559	-	-
Balances as of December 31, 2021	1,963,600	(0)	228,279	895,155	502,027

(1) Refers to Banco Original senior quotas subscribed after the acquisition date of the FIDC by PicPay.

(2) Represents the carrying amount of FIDC senior quotas held by Banco Original and accounted for as a financial liability as of the acquisition date of the FIDC and initial consolidation.

	Liability		Equity	
	Obligations to FIDC quota holders	Related party funding	Share Capital	Capital Reserve (Note 22c)
Balances as of December 31, 2019	-	392,684	252,758	178,245
Variations with effect on cash	-	(273,729)	588,488	-
Capital contributions	-	-	588,488	-
Related party funding payment	-	(2,272,290)	-	-
Related party funding receipt	-	2,247,601	-	-
Interest paid related funding party	-	(249,040)	-	-
Variations without effect on cash	-	266,618	-	474,521
Transactions with related parties	-	-	-	474,521
Capital contributions	-	266,618	-	-
Balances as of December 31, 2020	-	385,573	841,246	652,766

29. Business combination

On July 20, 2021 PicPay acquired 100% of the share capital and obtained control of Guiabolso Correspondente Bancário e Serviços Ltda, including its subsidiary Guiabolso Pagamentos Ltda. (formerly Just Correspondente Bancário e Serviços Ltda.). Guiabolso offers to its users personal financial management and access to products and services, according their profile, in a marketplace with credit cards, insurance, investments and other financial products.

The fair value of net assets of this operation is R\$ 64,755, included a separately identified intangible asset with a fair value of R\$ 61,033 presenting the main software of the business, which valuation method was replacement cost and estimated useful life is 5 years. The purchase price allocation (PPA) was completed in January, 2022 resulting a goodwill recognized of R\$ 45,245.

Also, the contract includes a post-combination service in total amount of R\$ 52,000 as share based payment or cash for executives with a vesting period of 24 months and employees of Guiabolso in total amount of R\$ 15,000 with a vesting period of 12 months after acquisition date.

Arising from these contracts, as of December 31, 2021, the Group recorded under "Labor Obligations", a liability in the amount of R\$ 14,614 (R\$ 0, as of December 31, 2020). The corresponding expense recorded under "Administrative Expenses" was R\$ 14,614 in the year ended December, 2021 (R\$ 0, in the year ended December, 2020).

This acquisition will aggregate products and services in the Group's marketplace and is expected to yield synergies in the combining of operations.

Fair Value	Guiabolso consolidated financial informations
Cash and cash equivalents	7,836
Trade receivables	2,719
Prepaid expenses	65
Recoverable taxes	1,030
Property, plant and equipment	509
Intangible assets	905
Internally developed software	61,033
Total Assets	74,097
Trade payables	3,242
Labor obligations	4,294
Taxes payable	1,773
Provision for legal and administrative claims	33
Total Liabilities	9,342
Net assets and liabilities	64,755
Consideration paid (Note 1)	110,000
Goodwill (Note 13)	45,245
Net revenue since acquisition	2,872
Loss for the period since acquisition	(41,452)
Revenue of the combined entity as though the acquisition date occurred of January 01, 2021	1,150,314
Loss of the combined entity as though the acquisition date occurred of January 01, 2021	(1,935,270)

30. Subsequent events

The Extraordinary Shareholders' Assembly held on January 31, 2022 approved the increase in PicPay's share capital of R\$ 160,000, through the issue and subscription of 3,757,632 shares, of which 1,878,816 are common shares and 1,878,816 are preferred shares, all nominative and without par value to PicPay Holding Ltda.