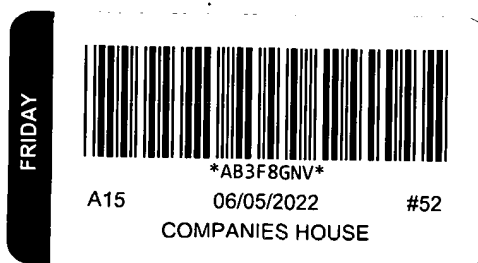


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Registration number:
07495895

GoCardless Limited

Annual Report and Consolidated Financial Statements
For the 18 month period ended 30 June 2021



Annual report and consolidated financial statements

18 month period ended 30 June 2021

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Glossary of Terms

Below are definitions relating to some of the company-specific terms used throughout this document.

Term used	Definition
Sign-ups	Number of merchants opening an account - typically via the website, API or Partner integration
Activations	Number of merchants activating - i.e., completing 6 actions (such as mandate creations or payment creations/collections) within a 40-day period
Bookings	The average annual contract value (ACV) for a Committed Revenue contract. This is calculated by dividing the total contract value that a merchant commits to by the annual term length
Payment Volume	The number or value of successful payments processed
Committed Revenue Account (CRA)	Fixed-term contracts where merchants commit to paying for a pre-agreed minimum number of transactions, as well as additional fees for transactions above the minimum
Variable Revenue Account (VRA)	Account where revenue is based on usage - typically on a % per transaction basis with a fixed-value minimum and cap

Directors and professional advisors

The board of directors	H Takeuchi M Robinson T Bunting M Gibson S Chandler
Company secretary	H Takeuchi M Robinson
Registered office	Sutton Yard 65 Goswell Road London England EC1V 7EN
Registered number	07495895
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Strategic Report

18 month period ended 30 June 2021

Principal activities

The principal activities of GoCardless Ltd. ("the Group") during the year were, and will continue to be, the provision of software which allows merchants to collect payments directly from their customers bank accounts in multiple geographies and currencies. This provides merchants with an alternative solution to credit cards or traditional methods of collecting payment using bank transfer or cheques. These activities are carried out through the operating companies GoCardless Ltd., a UK registered company, and GoCardless SAS, a French registered company.

The mission statement is to take the pain out of getting paid for our customers so they can focus on what they do best, which is running their business. This provides merchants with an opportunity to improve the cash-flow of their business by taking away uncertainty of when they will be paid, it reduces conflict with merchants through the chasing of payments and it allows merchants to become more efficient driven by the Gocardless API and where relevant its integration with partners.

In addition to processing transactions, Gocardless is able to enhance its offering with additional products, Success+ reduces failures by increasing successful transactions and customer care packages offer premium customer support. During the period investments have also been made in launching "Instant Bank Pay" which is more suited to one-off transactions and using Open Banking APIs to process the payment. It is believed that combining Open Banking with existing Direct debit processing will allow Gocardless to grow its addressable market.

The GoCardless platform connects the banking platforms of UK, Europe, US, Canada, Australia and New Zealand through a seamless integration that also allows collection in multiple currencies through a partnership with Wise, which was successfully launched at the end of 2019 as "International Payments".

During the 18 month period ended 30 June 2021, the Group processed £22.2 billion worth of transactions for over 66,000 organisations globally. Merchants range from small businesses to larger enterprises, with small businesses using the self-serve platform and larger merchants receiving dedicated sales and customer service management. In addition to existing offices in London, Paris, Munich, Melbourne and San Francisco, an additional office was opened in New York in July 2022. Employee numbers grew from 376 at the start of 2020 to 586 by June 2021, with investments across all departments and geographies.

At the beginning of the 18 month period ended 30 June 2021 COVID 19 developed into a global pandemic forcing many economies to enforce lockdown, including the UK. Despite an initial drop on processing volumes and thus revenue in April 2020, growth returned from June 2020 onwards with the business proving resilient to the pandemic.

During the year, contracts with merchants were increasingly signed on a committed basis providing greater certainty over future revenues. Through commitments, merchants gain access to more competitive pricing, alongside having sales support and for larger clients a customer service representative.

The management team was also significantly enhanced with both executive and senior leadership hires.

The Group's parent company raised \$312.0m through its Series G round in December 2021.

Trading performance – key performance indicators

The results and financial statements presented are for the twelve months beginning 1 July 2020 and ended 30 June 2021 with prior year comparatives of the twelve months beginning 1 July 2019 and ended 30 June 2020. For the purposes of this strategic report comparison between the unaudited 12 month period ending 30 June 2021 and the unaudited 12 month period ending 30 June 2020 has also been included.

The directors consider the following to be key indicators of performance:

- revenue split between Committed and Variable Revenue Accounts (CRA and VRA);
- revenue split between UK and International;
- new bookings (ACV), sign ups and activations as indicators of growth for new business; and
- volume of transactions processed.

Strategic Report

18 month period ended 30 June 2021

	12 Months Ended 30 June 2021	12 Months Ended 30 June 2020	18 months Ended 30 Jun 2021	12 Months Ended 31 December 2019
Revenue (£)	48.6m	35.1m	68.0m	29.3m
CRA	15.0m	7.5m	19.5m	4.5m
VRA	33.7m	27.6m	48.5m	24.8m
Revenue UK	40.3m	29.8m	56.7m	25.3m
International	8.4m	5.3m	11.3m	4.0m
New Bookings (£)	10.8m	5.8m	14.4m	4.2m
Sign ups	76k	70k	112k	67k
Activations	21k	20k	30k	20k
Payment Volume (£)	15,747m	12,080m	22,183m	10,277m

Trading performance – review of the period

Revenue

Revenue for the year ended 30 June 2021 was £48.6m which represents a 39% increase versus the year ended 30 June 2020 and was driven by an increase in both our variable and committed revenues, growing by 22% (£6.0m) and 101% (£7.5m) respectively.

As a result of a continued focus on committed accounts and volume, revenue from CRA as a percentage of our total revenue grew from 21% in the year ended 30 June 2020 to 31% in the year ended 30 June 2021. The increase in our CRA revenue was driven by a 85% increase in new bookings (average contract value signed) which totalled £10.8m for the year ended 30 June 2021 (year ended 30 June 2020: £5.8m).

Revenue from our international locations grew by nearly 60% to £8.4m in the year ended 30 June 2021 (year ended 30 June 2020: £5.3m), increasing the International revenue share to 17% of our total revenues (year ended 30 June 2020: 15%). Revenue in the UK grew by 35% over the same period to £40.3m (30 June 2020: £29.8m). Additionally total volume processed for our merchants increased by 30% in the year ended 30 June 2021.

Several new merchants were added in the period ended 30 June 2021 including Bridgestone, Experian and Aon. In addition, new Partnerships were signed with BillingPlatform and Tide.

Financial Results

The Group's administrative expenses were £96.6m for the 18 month period ended 30 June 2021 (December 2019: £48.0m). The Group generated an operating loss before depreciation for the 18 month period ended 30 June 2021 of £44.8m (December 2019: £28.3m) and a net loss of £46.8m for the 18 month period ended 30 June 2021 (December 2019: £28.8m, which is an increase of 72% in net loss while revenues increased by 132% against the prior year.

The continued investment in products including Open Banking, improvement in meeting the increasingly complex compliance needs of a global business and investment in the growth engines of sales and marketing all lead to the increase in administration spend and thus increased operating loss before depreciation.

Cash flow, banking facilities and financial position

The Group finished the 18 month period ended 30 June 2021 in a strong financial position with closing cash of £37.5m.

Net assets at 30 June 2021 decreased to £34.0 from £40.2m as at 31 December 2019. The movements were mostly driven by the Company drawing funding of £8.7m from the parent company.

In December 2020, the Group and its Parent company completed a series F investment round generating \$95.0m of equity funding, this was extended in February 2021 with an additional \$10.0m. Further, the Group's parent company raised \$312.0m through its Series G round in December 2021. The Group has access to the cash held at the parent company on an unrestricted basis.

Strategic Report

18 month period ended 30 June 2021

Prospects

The Directors see prospects for the Group as being very healthy.

The Group continues to enhance its UK market position in product, technology and domain skills, all of which will significantly improve a growing market position while continuously assessing and improving the offering of its direct debit payment schemes. In addition, the Group continues to be supported by the resources and expertise of its investors, with the existing venture capital investors enhanced through the series G fundraising with Permira and Blackrock leading the round.

The Directors believe that as Open Banking Access is rolled out globally there will be a resulting global shift in demand towards Account to Account Payments with increased use cases for automated on-line payments direct from bank accounts. The Directors believe the Group is uniquely placed to leverage its existing infrastructure in combination with the development of Open Banking access to become a leader in Account to Account payments, resulting in growing and ongoing demand for the Group's product and service.

The Group currently has a very low market share and thus sees the opportunity for growth as extensive. In addition to Open Banking the Group intends to launch further payment intelligence products following the success of Success+, which will assist in gaining a greater share of wallet amongst its existing merchant base.

The top 20 merchants account for 12% of total revenue in the twelve months to 30 June 2021 compared to 13% in the twelve months to 30 June 2020. The continued expansion into the Mid-Market and Enterprise segments is expected to also drive growth alongside the continued growth of small business. In total the group now serves more than 66,000 merchants as at the end of June 2021.

Both new and existing partnerships are also expected to drive growth and partnerships now account for 41% of revenue in the twelve months to 30 June 2021 compared to 40% in the twelve months to 30 June 2020.

Initially, COVID-19 led to such merchants decreasing their payment volumes from the start of Q2-2020. In order to extend the period of time before additional funding is required, management with the support of the board, implemented several cost saving measures including reducing discretionary spend, a small number of redundancies and furloughs and a company wide temporary pay reduction.

Despite COVID-19, the prospects for the group remain strong. As the product helps businesses improve their cash-flow and we have a highly diversified set of verticals (for which there is growth potential in a variety of sectors) in addition to the fact that we have a small market share, means that growth opportunities remain in the medium term.

The Group has been monitoring the tensions in Ukraine closely and following escalations in the region and the addition of new sanctions from several countries, the Group has assessed the new requirements, and is taking further steps to ensure that GoCardless is protected and that we are in full compliance with those new requirements. We believe that these steps are in compliance with requirements from our regulators, including the FCA and their recent communications. We have carried out a review of the Group's exposure to Ukraine and Russia (including looking at clients, shareholders, suppliers) which concluded that our exposure is very low.

Management and the board of directors are confident this allows the business to continue to trade on a going concern basis.

Managing Risk

As part of its operating activities, the Group is exposed to a number of risks - both internal and external. The Group looks to manage these risks on an ongoing basis.

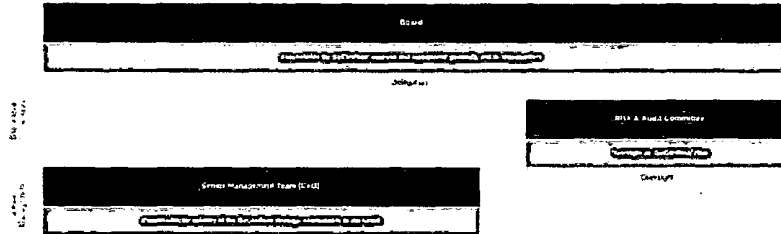
Enterprise Risk Management Framework - the Group implements a risk management framework ("ERM") that is based on the Enterprise Risk Management - Integrated Framework as issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and looks to achieve a balance approach between structure, depth and manageability as is appropriate for a group of its stage and maturity. The ERM ensures that risks are identified, tracked and managed throughout the Group. The ERM looks to ensure that the Group is provided with a safe 'envelope' in which to operate - that is, one which is within the Group's risk tolerance. Importantly, the ERM is tied to the Group's mission so as to ensure that overall direction is not lost when considering risk mitigation. Crucial in this connection between the ERM's mission and that of the Group are the 'business risk objectives' - a crystallisation of the main aims of the ERM, and which if achieved, should ensure that both the Group mission and the ERM mission are achieved - they are to:

- Satisfy the Group's regulatory obligations;
- Minimise the Group's losses and inefficiencies; and
- To provide the Group's services as promised.

Strategic Report

18 month period ended 30 June 2021

The ERM also sets out roles and responsibilities of the Board, senior management and internal committees. The Group has implemented a Risk and Audit Committee that is represented by Board members, senior management and second line risk owners. On a practical level, a separate management-level risk committee is responsible for the internal implementation of the ERM.



Three lines of defence - the Group implements the three lines of defence model in the management of its internal and external risks. The first line comprises all staff engaged in sales and marketing activities, as well as all functions responsible for supporting them, including finance and the people team; they are responsible for identifying risks 'at the coal face', setting appropriate controls at an operational level, and reporting on those risks to the second line. The second line is represented by the internal risk committee and is responsible for setting risk policy in-line with the ERM. The Group does not currently have an internal audit function that would ordinarily be seen to comprise the third line; instead, the Group relies on a number of externally instructed audits to ensure that the third line responsibility of oversight and independent assurance is fulfilled in respect of key risk areas. The legal function provides support to all risk areas and is closely involved in all risk management processes.

Certain entities within the group maintain their own risk management processes in line with regulatory requirements - for example GoCardless SAS has its own risk management approach that is focused on permanent and periodic control.

Risk profile - the Risk and Audit Committee meets at least twice a year to approve the Group's risk management processes, to oversee the execution of those processes, and to ensure that there is board-level discussion on specific risks and the Group's approach to them. Information shared with the Risk and Audit Committee includes the outcome of external audits, updates on risk management approach and status and updates on new or emerging risks.

Areas not managed by the ERM

The strategic and people risks are managed through a cadence of weekly or where appropriate quarterly meetings attended by the Executive Management team.

The main strategic risks to the Group's business arise from deterioration in general economic conditions, increased competition and increased legal or regulatory burdens affecting the industry. Worsening economic conditions or a shift in the Group's competitive landscape could cause demand for its products and services to fall, impacting revenue growth potential and/or profit levels. To mitigate the impact of reduced demand for the Group's products and services, the Group continues to heavily invest in the development of new technologies to maintain its competitive advantage while increasing investment in understanding the regulatory environment from industry experts and advisors. The Group's global expansion will also help to diversify the risk of exposure to a single market such as the UK. The main people risk is talent management - the attraction and retention of key talent, amid fierce competition in the technology and financial services markets. The Group continues to invest in its people and processes to mitigate those risks.

Principal risks and uncertainties

The risk areas associated with the Group's activities and managed by the ERM are set out below. Each of these risks is overseen by a senior individual within the Group who is responsible for the setting of direction, policy, procedures and standards for that risk, and who is a member of the internal risk committee.

Risk	Key areas	How risks are managed
Accounting and Tax	Reporting, taxes, liability management, billing and foreign exchange.	The finance team maintains expertise across a number of different disciplines and obtains external expertise where required. An annual external financial audit is undertaken.

Strategic Report

18 month period ended 30 June 2021

Anti-Money Laundering and Counter-Terrorist Financing	Due diligence and know your customer, sanctions, third parties, customer lifecycle, transaction monitoring and reporting.	The MLRO is responsible for assessing and managing this risk area, working closely with the compliance operations team that implements suitable controls, automations and processes. An annual external compliance audit is undertaken.
Risk	Key areas	How risks are managed
Cyber, & Physical Security	External and internal breaches of data and funds, incident management, physical security and accreditation.	The security team is responsible for all aspects of security and implements a number of testing approaches, including penetration testing. An annual external security audit is undertaken, and ISO27001 accreditation maintained.
Fraud & Credit	Payee fraud and payer fraud, merchant insolvency and merchant reputation.	The fraud team is responsible for all aspects of fraud, and the credit team for credit risk, each working closely with each other and the product organisation to implement effective and often automated controls.
Regulatory & Legal	Contractual liability, regulatory reporting, product change, current regulatory requirements, future regulatory requirements, international expansion and Brexit, intellectual property and confidentiality. Regulatory capital and safeguarding requirements	The legal and regulatory compliance teams support the organisation in identifying and mitigating legal and regulatory risks. The Finance team oversees controls to ensure the Group complies with its obligations to safeguard merchant funds and maintain sufficient capital.
Payment Processing	Payout processes, collection processes, scheme access, reconciliation, revenue reclamation, FX processes and bank report processing.	The global payment partnerships team is responsible for payment processing risk, working together with a number of other teams - particularly the product teams responsible for banking, and the finance, legal and regulatory compliance teams.
Privacy & Data Protection	Internal and employee data use, data breach, third parties, marketing, operational privacy, product, subject rights and merchant requirements.	The Data Protection Officer is responsible for privacy and data protection risk, implementing appropriate policies, training and controls throughout the Group through close relationships with all teams.

Impact of the COVID-19 pandemic

The activities of the merchants served by the Group include some of the sectors especially impacted by COVID-19, such as Health & Wellbeing, Membership Organisations, Amusement & Recreation, Financial Services, Transportation and Travel. However, the Group provides services to merchants providing a diversified range of activities and as such the Group does not have a disproportionate reliance on any one sector or sectors that are particularly impacted by COVID-19. In general, management believes the company has been well placed to manage through COVID-19 due to the diversification of the merchant base, the well capitalised balance sheet and the suitability of the product to on-line processing which is in some cases benefitting from the current crisis. The group has shown continuing revenue growth subsequent to the initial COVID-19 contraction.

Further, the fact that Gocardless helps its customers improve their cash-flow means the market opportunity remains strong.

Strategic Report

18 month period ended 30 June 2021

Corporate governance and Section 172(1) Statement Reporting

The directors of the company, both individually and together, consider they have acted in the way considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (as specified in s172(1)(a-f) of the act) and to have put in place the appropriate processes and activities to allow S.172 to be addressed.

Risk Management

The directors of the company manage risks on an ongoing basis using the Enterprise Risk Management framework. This framework sets out the roles and responsibilities of those charged with governance. Please see the "Managing Risk" section of the Strategic Report for more details on how risk is managed.

Employees & Culture

At GoCardless we're proud of our open, inclusive and global culture. We're driven by our values and, right across our organisation, we use a variety of methods and channels to keep employees informed and engaged in all aspects of our journey. Please see the "Employees" section of the Directors' Report for more details.

Business Partners

Both new and existing partnerships are expected to drive growth. For further details on how we engage with our partners please see the "Principal activities" and "Prospects" sections of the Strategic Report.

Environment

The company remains dedicated to improving its energy efficiency. Please see the "Streamlined Energy and Carbon Reporting" of the Directors' Report for more details.

Shareholders

The strong relationship with shareholders is evidenced through the February 2022 series G investment round led by Permira and Blackrock and the continuous investor relations work of the Group.

Approved by the board and signed on its behalf by

DocuSigned by:

39B534E7020E4DB
Hiroki Takeuchi
Director
14 April 2022

Directors' Report

18 month period ended 30 June 2021

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with UK-adopted international accounting standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

Each of the directors, whose names and functions are listed in the "Directors and professional advisors" section of this report confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

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

Donations

Worldwide charitable donations made by the Group during the period were £43k (December 2019: £3k). No political donations or political expenditures have been incurred by the company or its subsidiaries.

Research and Development

The Group will continue to invest in its software development and innovation of its products. The Group claimed income tax credits of £1.6m on qualifying expenditure of £4.8m. The Group expects to claim around £2.0m in income tax credits on qualifying expenditure of £5.9m for research and development for the 18 month period ended 30 June 2021.

Employees

At GoCardless we're proud of our open, inclusive and global culture. We're driven by our values and, right across our organisation, we use a variety of methods and channels to keep employees informed and engaged in all aspects of our journey.

Our values underpin every aspect of life at GC. Importantly, we conduct 'Values fit' interviews as part of our recruitment process - run by existing employees - which help us hire those who not only have the skills and experience we're looking for but can positively contribute to building our culture.

Diversity is hugely important to us and we welcome applications from those with disabilities and from under-represented backgrounds. Throughout our hiring and onboarding process we make any reasonable adjustments necessary to create a level playing field and continually look at how we can improve in this area. We also have active 'employee resource groups' (such as BEAM and Rainbow) that are supported and sponsored by members of our Exec team; they work to engage and inspire our employees on diversity & inclusion topics throughout the year.

With the right team in place, we want everybody to take ownership of our shared success and we do this by offering equity to all eligible employees; we believe having this 'buy in' is a vital part of building a successful business where everybody - regardless of

Directors' Report

18 month period ended 30 June 2021

their role - can make a valuable contribution.

We're committed to sharing key business information and updates clearly and concisely through a range of channels. Each week we invite everybody to our CEO-led Town Hall which, as we've scaled and gone global, we've adapted to help all of our employees feel included, whatever their time-zone with an alternating schedule that gives everybody a chance to join live.

One of our most important cultural milestones is 'GC Live', where the whole business comes together for a day of learning, engagement and fun. This is where we share the big picture topics like company strategy, milestones and recognise outstanding contributions.

There are a host of other ways we engage with the business, including our quarterly financial updates, OKR check-ins designed to keep everybody up to date on the progress we're making against our objectives for the year and, of course, department-specific meetings which help our teams interact with leadership and understand their priorities.

None of these interactions would be successful without a strong culture of listening. We continually enable two-way conversations and actively listen to what our employees have to say. Initiatives include our annual engagement survey, shorter, ad-hoc 'pulse' check-ins (which are particularly useful when we're looking for specific feedback on a certain topic) as well as frequent Q&A and 'Ask Me Anything' style sessions where we never shy away from answering any question an employee wishes to ask. Management has ensured that the majority of these interactions have continued during the period of remote working stemming from the Covid-19 outbreak.

Future Outlook

The directors are confident of the future performance of the Group. The Group has enjoyed strong revenue growth and an increased merchant base, which is a central driver for the future growth of the Group.

In December 2020, the Group's Parent company initiated a series F investment round generating \$95.0m dollars of equity funding which was extended by \$10.0m in February 2021. Alongside the cost saving measures implemented in response to COVID this will provide sufficient financial resources to fund the Group's operations and growth for the foreseeable future.

In December 2021, the Group's Parent company initiated a series G investment round generating \$312.0m dollars of equity funding. This will provide sufficient financial resources to fund the Group's operations and growth for the foreseeable future.

Going concern

The Group meets its day-to-day working capital requirements using cash in hand. The Group's parent company raised \$95.0m through its Series F round in 2020, of which, £39.3m, has been invested into the Group as of the date of this report. Further, the Group's parent company raised \$312.0m through its Series G round in December 2021.

The Directors recognise that the COVID-19 pandemic does create risks and uncertainties, as set out on page 6, however the Directors consider the good cash reserves and cost reduction measures implemented in April 2020 (as described on page 6), provide sufficient liquidity.

The Group has been monitoring the tensions in Ukraine closely and following escalations in the region and the addition of new sanctions from several countries, the Group has assessed the new requirements, and is taking further steps to ensure that GoCardless is protected and that we are in full compliance with those new requirements. We believe that these steps are in compliance with requirements from our regulators, including the FCA and their recent communications. We have carried out a review of the Group's exposure to Ukraine and Russia (including looking at clients, shareholders, suppliers) which concluded that our exposure is very low.

The Group has obtained a payment services license from the Autorité de contrôle prudentiel et de résolution (ACPR). This license allows the Group to provide services to merchants operating within the EU which has therefore eliminated the impact of any cessation of the passporting of financial services licenses by UK businesses at the expiry of the transition period for the UK's exit from the European Union (EU) on 31 December 2020, or thereafter.

The Company has received a confirmation from its parent undertaking, Groupay Inc. that it will provide financial support to the Company to meet its financial obligations, should the Company otherwise be unable to meet them, for a period at least until 31 March 2023.

In light of the above factors, the Directors have considered the financial position of the Group, its expected cash flows, liquidity position and borrowing facilities when assessing the ability of the Group to meet its operational obligations for the foreseeable future being at least 12 months from the date of approval of these financial statements and as such the Director's consider it appropriate to prepare the Group financial statements on a going concern basis.

Directors' Report

18 month period ended 30 June 2021

Indemnity Provisions

Directors' and officers' insurance cover has been established for each of the Directors to provide cover against their reasonable actions on behalf of the Company. The indemnities, which constitute a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, remain in force for all current Directors.

Streamlined Energy and Carbon Reporting

UK GHG Emissions in tCO ₂ e (January 2020 - June 2021)*	
Scope 1 Location Based	0.28
Scope 1 Market Based	0.28
Scope 2 Location Based	62.21
Scope 2 Market Based	17.81
Scope 3 Location Based	9980.51
Scope 3 Market Based	9400.54
Total Location Based	10043.00
Total Market Based	9418.63
Energy Use (MWH)	275

*Comparatives are not required as this is a first year disclosure

Intensity Ratio: 24t Co₂e/AveFTE (based on the combination of the above scope 1, 2 and 3 emissions total market-based and average headcount)

Inventory Period: 1st January 2020 to 30th June 2021

Calculation Methodology: GHG Protocol

Principal measures to improve energy efficiency: low energy LED lighting; PIR sensors and timing schedules for lighting; timing schedules for screens and devices; desk mounted controls; updated building management system to optimise the heating and cooling demand across the building.

Branches

The Company maintains branches in Australia, New Zealand and South Africa for operational purposes.

Dividend

The directors do not recommend the payment of a dividend for the period ended 30 June 2021 and no dividend was paid for the year ended 31 December 2019.

Post balance sheet events

In December 2021, the Group's Parent company initiated a series G investment round generating \$312.0m dollars of equity funding. This will provide sufficient financial resources to fund the Group's operations and growth for the foreseeable future.

Directors

The directors who served the Company during the year were as follows:

- Hiroki Takeuchi
- Matthew Robinson
- Timothy Bunting
- Martin Gibson
- Stephen Chandler

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Directors' Report

18 month period ended 30 June 2021

Independent Auditors

Following a competitive tender process in March 2021 the board appointed PricewaterhouseCoopers LLP as auditors of the Group and Company. The auditors are expected to be reappointed by resolution of the shareholders at the next annual general meeting.

By order of the board

DocuSigned by:
Hiroki Takeuchi
39B534E7020E4DB.

Hiroki Takeuchi
Director
14 April 2022

Independent auditor's report to the members of GoCardless Limited

18 month period ended 30 June 2021

Independent auditors' report to the members of GoCardless Limited

Report on the audit of the financial statements

Opinion

In our opinion, GoCardless Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's loss and the group's cash flows for the 18 month period then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position and the Company Statement of financial position as at 30 June 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of equity and the Consolidated statement of cash flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the

Independent auditor's report to the members of GoCardless Limited

18 month period ended 30 June 2021

other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the Financial Conduct Authority relating to Payment Services Providers and similar rules applicable in the local jurisdictions of significant subsidiary companies of the parent, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK and overseas tax law. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of manual journal entries and the risk of bias in material accounting estimates. Audit procedures performed by the engagement team included:

- Target testing of manual journals with unusual account combinations based on our understanding of business-as-usual operations and other factors that could indicate that they could be of heightened risk of fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Discussions with the Risk function of the Group and reviewing documentation considered by the Risk and Audit Committee during the period;
- Review of the litigation log for evidence of any open litigation and claims; and
- Review of the regulatory breaches register and regulatory correspondence during the period.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also,

Independent auditor's report to the members of GoCardless Limited

18 month period ended 30 June 2021

the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

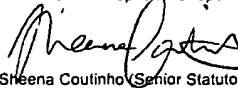
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.


SHeena Coutinho (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 April 2022
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GoCardless Limited
Consolidated income statement
18 month period ended 30 June 2021

Continuing operations	Notes	18 month Period ended 30 Jun 2021 £	Year ended 31 Dec 2019 restated £
Revenue	7	67,973,479	29,295,230
Cost of sales	9	(14,108,583)	(6,888,638)
Gross profit		53,864,896	22,406,612
Administrative expenses	9	(96,619,531)	(47,978,248)
Impairment on financial assets	18	(1,996,991)	(2,696,326)
Operating loss before depreciation		(44,751,625)	(28,267,962)
Depreciation	15&16	(2,152,929)	(1,663,741)
Amortisation	17	(317,469)	(182,402)
Operating loss before interest and taxes		(47,222,024)	(30,114,105)
Foreign exchange		(1,475)	153,109
Interest payable and similar charges	11	(1,391,600)	(956,307)
Interest receivable	11	52,134	41,408
Loss on ordinary activities before taxation		(48,562,965)	(30,875,895)
Income tax expense	14	(213,447)	(29,213)
Income tax credit	14	1,954,852	2,101,979
Loss for the financial year		(46,821,560)	(28,803,129)

Consolidated statement of comprehensive income
18 month period ended 30 June 2021

	18 month Period ended 30 Jun 2021	Year ended 31 Dec 2019 Restated
Loss for the year	(46,821,560)	(28,803,129)
Other comprehensive income	(250,947)	(12,687)
Total comprehensive loss attributable to equity holders	(47,072,507)	(28,815,816)

GoCardless Limited
Consolidated statement of financial position
18 month period ended 30 June 2021

	Notes	At 30 Jun 2021	At 31 Dec 2019 restated
		£	£
Non-current assets			
Property, plant and equipment	15	2,439,805	2,806,372
Intangible assets	17	647,552	897,022
Other receivables: amounts over one year	18	5,611,660	3,220,282
Property lease	16	5,314,700	8,013,334
		14,013,717	14,937,010
Current assets			
Trade and other receivables	18	14,602,392	12,449,087
Cash at bank and in hand	19	37,477,845	19,818,482
Amounts owed by Parent	6	-	14,359,033
Settlement bank account	4	44,704,001	37,109,074
		96,784,238	83,735,676
Current liabilities: amounts falling due within one year			
Trade and other creditors	20	(17,170,779)	(7,839,998)
Property lease liability	16	(1,114,656)	(1,081,388)
Settlement account liability	5	(44,704,001)	(39,586,240)
Amounts owed to Group	6	(8,694,740)	-
		(71,684,176)	(48,507,626)
Net current assets		25,100,063	35,228,050
Non-current liabilities: amounts falling due after more than one year			
Long-term borrowings	21	-	(2,000,000)
Property lease liability	16	(5,154,275)	(7,971,139)
		(5,154,275)	(9,971,139)
Total liabilities		(76,838,450)	(58,478,765)
Net assets		33,959,505	40,193,921
Capital and reserves			
Called-up equity share capital	22	134,380,027	95,073,388
Other reserves	22	8,275,373	6,743,921
Foreign currency translation reserve	22	(263,634)	(12,687)
Retained earnings		(108,432,261)	(61,610,701)
Shareholders' funds		33,959,505	40,193,921

The accompanying accounting policies and notes (pages 22-54) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 14 April 2022.

Signed on behalf of the Board by:

DocuSigned by:

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Hiroki Takeuchi
Director
Company number 07495895

GoCardless Limited
Consolidated statement of cash flows
18 month period ended 30 June 2021

	Note	At 30 Jun 2021	At 31 Dec 2019 restated
		£	£
Cashflows from operating activities			
Net loss		(46,821,560)	(28,803,129)
Adjustments for:			
Depreciation of property, plant and equipment	15	1,016,716	618,525
Amortisation of intangible assets	17	317,470	182,402
Property Lease depreciation	16	1,136,056	1,045,216
Share options expense	22	1,531,452	3,323,628
Finance costs	11	1,339,466	914,899
Changes in working capital:			
Increase in current trade and other debtors	18	(4,630,471)	(4,769,063)
Increase in non-current trade and other debtors	18	(2,391,378)	(1,829,882)
Increase in trade and other payables	20	9,330,781	3,673,549
Increase in amount owed to Group	6	8,694,739	-
Prepaid income		-	(105,273)
Cash used in operations		(30,476,729)	(25,749,128)
Cash flows from investing activities			
Additions to property, plant and equipment	15	(670,559)	(671,998)
Additions to intangible assets	17	(38,000)	(329,423)
(Advance)/Repayment of amounts owed by Parent	6	14,359,033	(14,359,033)
Net cash used in investing activities		13,650,474	(15,360,454)
Cash from financing activities			
Finance costs paid	11	(448,906)	(378,470)
Finance costs received	11	52,134	41,408
Property lease capital repayment	16	(1,596,148)	(602,894)
Property lease interest expense	16	(942,694)	(577,837)
Repayment of borrowings	21	(2,000,000)	-
Repayment of amounts owed to sister company	21	-	(3,810,000)
Proceeds from share related transactions	22	39,306,639	63,692,131
Net cash from financing activities		34,371,025	58,364,340
Net increase in cash and cash equivalents		17,544,770	17,254,758
Foreign exchange		114,594	(12,689)
Cash and equivalents opening balance	19	19,818,482	2,576,413
Cash and cash equivalents ending balance		37,477,846	19,818,482

The accompanying accounting policies and notes (pages 22-54) form part of these financial statements.

GoCardless Limited
Consolidated statement of equity
18 month period ended 30 June 2021

	Note	Share capital	Other reserves	Foreign currency translation reserve	Accumulated losses	Total Equity
		£	£	£	£	£
Balance at 1 January 2019	22	31,381,257	3,420,293	-	(32,807,572)	1,993,978
Net (loss) / income		-	-	-	(27,289,935)	(27,289,935)
Other comprehensive (loss) / income		-	-	(12,687)	-	(12,687)
Total comprehensive (loss) / income		-	-	(12,687)	(27,289,935)	(27,302,622)
Transactions with owners						
Share based payments	22	-	1,250,715	-	-	1,250,715
Shares allotted	22	63,692,131	-	-	-	63,692,131
Total transactions with owners		63,692,131	1,250,715	-	-	64,942,846
Balance at 31 December 2019		95,073,388	4,671,008	(12,687)	(60,097,507)	39,634,202
Share based expense amendment	3	-	2,072,913	-	(2,072,913)	-
Amounts due from merchants adjustment	3	-	-	-	559,719	559,719
Balance at 31 December 2019 restated		95,073,388	6,743,921	(12,687)	(61,610,701)	40,193,921
Balance at 1 January 2020		95,073,388	6,743,921	(12,687)	(61,610,701)	40,193,921
Net (loss) / income		-	-	-	(46,821,560)	(46,821,560)
Other comprehensive (loss) / income		-	-	(250,947)	-	(250,947)
Total comprehensive (loss) / income		-	-	(250,947)	(46,821,560)	(47,072,507)
Transactions with owners						
Share based payments	22	-	1,531,452	-	-	1,531,452
Shares allotted	22	39,306,639	-	-	-	39,306,639
Total transactions with owners		39,306,639	1,531,452	-	-	40,838,091
Balance at 30 June 2021		134,380,027	8,275,373	(263,634)	(108,432,261)	33,959,505

The accompanying accounting policies and notes (pages 22-54) form part of these financial statements.

GoCardless Limited
Statement of financial position
18 month period ended 30 June 2021

	Notes	At 30 Jun 2021	At 31 Dec 2019 restated
		£	£
Non-current assets			
Property, plant and equipment	15	2,430,930	2,790,158
Intangible assets	17	647,552	897,022
Other receivables: amounts over one year	18	5,554,668	3,203,502
Property lease	16	5,314,700	8,013,334
Investment in subsidiary	26	5,165,022	5,165,022
		19,112,872	20,069,038
Current assets			
Trade and other receivables	18	13,392,524	15,027,613
Cash at bank and in hand	19	34,883,099	15,160,679
Amounts owed by Parent	6	-	14,392,576
Settlement bank account	4	44,704,001	37,109,074
		92,979,623	81,689,942
Current liabilities: amounts falling due within one year			
Trade and other creditors	20	(15,343,861)	(11,461,776)
Property Lease Liability	16	(1,114,656)	(1,081,388)
Settlement account liability	5	(44,704,001)	(39,586,240)
Amounts owed to Group	6	(11,069,098)	-
		(72,231,616)	(52,129,404)
Net current assets		20,748,008	29,560,538
Non-current liabilities: amounts falling due after more than one year			
Long-term borrowings	21	-	(2,000,000)
Property Lease Liability	16	(5,154,275)	(7,971,139)
		(5,154,275)	(9,971,139)
Total liabilities		(77,385,890)	(62,100,543)
Net assets		34,706,605	39,658,437
Capital and reserves			
Called-up equity share capital	22	134,380,027	95,073,388
Other reserves	22	8,275,375	6,743,921
Foreign currency translation reserve	22	54,083	34,127
Profit & loss account		(45,770,080)	(29,369,039)
Retained earnings		(62,232,800)	(32,823,960)
Shareholders' funds		34,706,605	39,658,437

As permitted by Section 408 of the UK Companies Act 2006, the Company's individual Income Statement has not been presented.

The accompanying accounting policies and notes (pages 22-54) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 14 April 2022.

Signed on behalf of the Board by:

DocuSigned by:

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Hiroki Takeuchi
Director
Company number 07495895

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

1. General Information

Nature of operations

GoCardless Limited (the Company) is incorporated in the United Kingdom, domiciled in the United Kingdom and its registered office is Sutton Yard 65 Goswell Road, London, England, EC1V 7EN. The registered number of the Company is 07495895.

The Company together with its subsidiaries is referred to as "the Group". Until 31 December 2019, The Group's financial year starts on 1 January and ends on 31 December. On 16 December 2020, the accounting reference period ending 31 December 2020 was extended to 30 June 2021. Subsequent periods will end on the same day and month in future years.

The main activity of the Group is the provision of software in relation to recurring payments.

2. Summary of significant accounting policies and estimates

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pounds Sterling (£), which is the functional and presentation currency of the Company.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. These accounting policies were consistently applied for all the periods presented.

Going concern

The financial statements presented within have been prepared on a going concern basis.

The Group meets its day-to-day working capital requirements using cash in hand. The Group's parent company raised \$95.0m through its Series F round in December 2020 which was completed by an extension of \$10m in February 2021. The Group's parent company raised \$312.0m through its Series G round in December 2021.

The Directors recognise that the COVID-19 pandemic does create risks and uncertainties, as set out on page 6, however the Directors consider the good cash reserves provide sufficient liquidity.

The Company has received a confirmation from its parent undertaking, Groupay Inc. that it will provide financial support to the Company to meet its financial obligations, should the Company otherwise be unable to meet them, for a period at least until 31 March 2023.

In light of the above factors, the Directors have considered the financial position of the Group, its expected cash flows, liquidity position and borrowing facilities when assessing the ability of the Group to meet its operational obligations for the foreseeable future being at least 12 months from the date of approval of these financial statements and as such the Director's consider it appropriate to prepare the Group financial statements on a going concern basis.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

Changes in accounting policy and disclosures

Application of new or amended standards or new amendments

The following pronouncements and related amendments have been adopted by us from January 1, 2020 but had no significant impact on the Consolidated Financial Statements:

- Amendments to References to the Conceptual Framework in IFRS Standards (Effective for the accounting periods as of January 1, 2020)
- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" (Effective for the accounting periods as of January 1, 2020)
- Amendment to IFRS 3 "Business Combinations" (Effective for the accounting periods as of January 1, 2020)
- Amendments to IFRS 9 "Financial instruments", IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures" (Effective for the accounting periods as of January 1, 2020)—Interest Rate Benchmark Reform
- On May 28, 2020, the IASB issued "Covid-19-Related Rent Concessions", an amendment to IFRS 16. The amendment, which is applicable from June 1, 2020, allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of Covid-19 and meet certain conditions.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (Effective for the accounting periods as of January 1, 2021)
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond June 30, 2021 (issued on March 31, 2021 and effective for the accounting periods as of April 1, 2021).

Sources of estimation and key judgements

The key sources of estimation at the reporting date are discussed below:

(a) Share based payments and other equity based instruments

The Group has used the Black Scholes valuation model to determine the fair value of share based payments. Due to a lack of available data relating to the value of common stock of the parent, there is judgement involved in determining the share price of common stock for the purposes of calculating the share based payment charge. A discounted price determined by the Group's external expert advisors has been used to determine the share price of common stock for the purposes of the input into the model. Alternative judgements in discounts applied could result in changes to the share based payments charge as calculated. Any changes to volatility and assumptions made by management will impact the valuation and are based on historic records captured within the Groups share management software (Carta).

Please see note 22 for additional information.

(b) Recoverability of amounts due from merchants

The Group recognises an asset at a value equal to amounts due from merchants net of any provision for impairment. Amounts due from merchants are known as negative balances. Negative balances arise as a result of the fund flows required by our payment service. As at 30 June 2021, the balance of amounts due from merchants amounts to £6.7m and the related provision amounts to £4.7m. On a daily basis, the Group pre-funds all refunds, chargebacks and late failures processed on behalf of merchants and subsequently seeks to recover these amounts from funds collected on behalf of merchants. The amounts due from merchants is the amount of the negative balances that have not been recovered from merchant funds at the reporting date.

Negative balances include amounts due from merchants that are no longer actively collecting. The negative balance due from these merchants cannot be recovered from collections. Negative balances can also arise as a result of fraudulent activity. An impairment provision is recognised when there is objective evidence the Group will be unable to recover all of the amounts due from merchants. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. The Group provides in full for amounts due from both inactive merchants and those that arose due to fraudulent activity. The Group seeks the repayment of these balances although no amounts have been recovered during the year.

Critical accounting policies

Revenue recognition

The Group has two methods of contracting for revenue with customers.

- (1) A fee per transaction: A fee is charged for each transaction processed by the Group on the request of its customers. The fee is calculated as an agreed percentage of the transaction value. Customers request payments from their clients using the Group's

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

software and its access to direct debit schemes. The Group considers that its performance obligations in respect of such arrangements to be limited to the completion, collection and remittance to customers of the transaction amounts requested. Therefore, revenue is recognised on the completion of the remittance to customers of each completed transaction amount.

- (2) **Minimum committed transaction volume:** The Group contracts with customers on terms of typically 1 to 3 years under which customers agree to minimum periodic fees (being either a monthly or annual minimum fee as agreed with the client). These minimum periodic fees are based on expected minimum transaction volumes and calculated by reference to a fee per transaction. Monthly or annual minimum volumes cannot be transferred to other months or years within the term of the contract, if not utilised in the allotted month or year. Management considers the appropriate transaction price per performance obligation (completed transaction), to be the fee per transaction that underlies the monthly or annual minimum fee in the customer contract. As above, revenue is recognised on the completion of the remittance to customers of each completed transaction amount. For annual minimum fees, an amount equal to the minimum periodic fees that have not been utilised for processing transactions within the year (for which the minimum fee was agreed), is recognised as revenue within the last month of year.

Sales commissions are paid to staff on signing of the contract by the customer and commissions expense is recognised over the life of the contract term.

Performance obligations are: successful completed payment transactions; refunds; chargebacks and failures. All performance obligations are satisfied on a daily basis and payment is received from the Group's customers at the point that payout funds are remitted. The Group refunds fees for successful transactions which subsequently fail on the day of the failure.

Customers who enter into longer term contracts are invoiced at the end of each calendar month for completed transactions during that month. Payment settlement terms are 30 days.

Costs of obtaining a contract asset

The costs of obtaining a contract with a customer are recognised as an asset in the balance sheet. They are then subsequently amortised over the period during which the related revenue is recognised, within administration costs.

Chargebacks

Chargeback expenses for inactive merchants are recognised in full in the period when the chargeback occurs, and any recovered chargebacks are recognised in the same manner. For active merchants failed payments are recovered before any expense for the loss is incurred by the business.

Property, plant and equipment

Property, plant and equipment are stated at cost at acquisition less accumulated depreciation. Costs include the original purchase price for the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment to write off the cost, less any residual value, on a straight-line basis over the expected useful economic lives of the assets concerned by applying the following annual rates

Office equipment	3-5 years
Furniture and fixtures	10 years
Leasehold improvements	over the period of the lease

Depreciation is included in the Income Statement below Operating Loss.

Intangible assets

Intangible assets are stated at cost at acquisition less accumulated amortisation. Costs include the original purchase price for the asset and costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is provided on all intangible assets to write off the cost, less any residual value, on a straight-line basis over the expected useful economic lives of the assets concerned by applying the following annual rate:

Intangible assets	1-5 years
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Amortisation is included in the Income Statement below Operating Loss.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An asset's carrying amount is written down immediately to its recoverable amount (higher of an asset's fair value less costs to sell and value in use) if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated income statement.

Trade payables

Trade payables are either obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers or transaction obligations for amounts due to the end customer. Trade payables are classified as current liabilities if settlement is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised to the extent that goods and services have been provided.

Leases

A Right of Use asset and related lease liability are recognised in connection with all leases except for those identified as low-value or having a lease term of less than 12 months in total or remaining from the initial application date.

The Right of Use asset and the lease liability are measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate.

The lease liability is adjusted for interest and lease payments (financing costs), whilst the Right of Use asset is amortised over the lease term (depreciation expense).

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of the initial application of IFRS 16.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the UK where the Group operates and generates taxable income.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. No deferred income tax has been recognised in the 18 month period ended 30 June 2021 (2019: nil).

Provisions and contingencies

A provision is recognised in the statement of financial position when the Group has a legal obligation or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made. If the obligation cannot be reliably measured, it is classified as a contingent liability.

Pension scheme arrangements

The Group operates defined contribution pension schemes for the benefit of employees. The amount charged to the profit and loss account is the contribution payable by the Group in the year. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other Equity Reserves rise from share options and warrant instruments issued by the Group's Parent Company on behalf of the Group resulting in additional investment in the Group.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Loans and receivables

Receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired.

Recoverability of trade receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. These are stated net of any provision for impairment. Impairment provisions are recognised when there is objective evidence the Group will be unable to collect all of the amounts due. The amount of such a provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and short-term deposits with a maturity of three months or less. Funds held in the Group's client accounts, including Segregated accounts are not considered to be a resource controlled by the Group and no economic benefit is expected from operation of the client accounts.

The client account balances including Segregated account balances are therefore not recognised on the Group's or Company's statement of financial position.

Funds held in Settlement accounts are recognised on the Group's and Company's statement of financial position. Funds held in these accounts have not been confirmed as for the benefit of merchants. Nevertheless, the Group's procedures and controls with respect to funds held in the Settlement accounts, mean that they are payable to customers of the Group shortly after the balance sheet date. These funds therefore cannot be used by the Company in the ordinary course of business. As such they are not considered to be included as part of the Cash at bank and in hand balance.

The amounts held in the settlement accounts are offset against an equal and opposite settlement account liability as such the movements in the settlement accounts have no impact on the cash flow statements.

Settlement account liability

Funds received into the Settlement bank account are collected pursuant to the Group's payment transaction services. The Group has a liability to merchant's, customers or banks in respect of funds deposited in the Settlement bank accounts.

De-recognition of liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Share-based payments

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are considered in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

Other Comprehensive Income

Other comprehensive income is defined as comprising "items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs". The company recognises its foreign currency translation reserve through other comprehensive income.

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****3. Restatement of 2019**

During the 18 months period ended June 2021, the following adjustments have been identified:

- 1) incorrect calculation of the 2019 Enterprise Management Initiative (EMI) options charge;
- 2) a major IT systems development project identified an error that resulted in the amount of the receivable due from merchants was understated by £3,036,885 as at 31 December 2019, with a related understatement of £2,477,166 of the Settlement account liability and the remaining £559,719 recognised in retained earnings;
- 3) GoCardless Limited' Australian branch contribution was missing in the GoCardless Limited Statement of financial position.

The adjustments are outlined in the tables below:

Statement of financial position

GoCardless Consolidation	31 December 2019 previously reported	1) Share Based Expense amendment	2) Amounts due from merchants adjustment	31 December 2019 restated
Property, plant and equipment	2,806,372	-	-	2,806,372
Other receivables: amounts over one year	3,220,282	-	-	3,220,282
Trade and other receivables	9,412,202	-	3,036,885	12,449,087
Amounts owed from sister company	14,358,033	-	-	14,358,033
Settlement account liability	(37,109,074)	-	(2,477,166)	(39,586,240)
Trade and other creditors	(7,839,998)	-	-	(7,839,998)
Other reserves	4,671,008	2,072,913	-	6,743,921
Foreign currency translation reserve	(12,687)	-	-	(12,687)
Retained earnings	(60,097,507)	(2,072,913)	559,719	(61,610,701)

GoCardless Limited	31 December 2019 previously reported	1) Share Based Expense amendment	2) Amounts due from merchants adjustment	3) Australian Branch adjustment	31 December 2019 restated
Property, plant and equipment	2,773,540	-	-	16,618	2,790,158
Other receivables: amounts over one year	3,185,832	-	-	17,670	3,203,502
Trade and other receivables	11,914,669	-	3,036,885	76,060	15,027,613
Amounts owed from sister company	14,359,033	-	-	33,543	14,392,576
Settlement account liability	(37,109,074)	-	(2,477,166)	-	(39,586,240)
Trade and other creditors	(11,403,720)	-	-	(58,056)	(11,461,776)
Other reserves	4,671,008	2,072,913	-	-	6,743,921
Foreign currency translation reserve	-	-	-	(34,127)	(34,127)
Retained earnings	(60,731,512)	(2,072,913)	559,719	51,707	(62,192,999)

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

3. Restatement of 2019 (cont.)

Income statement

GoCardless Consolidation	31 December 2019 previously reported	1) Share Based Expense amendment	2) Amounts due from merchants adjustment	31 December 2019 restated
Administrative expenses	(46,465,054)	(2,072,913)	559,719	(47,978,248)

Reconciliation of the total tax charge

GoCardless Consolidation	31 December 2019 previously reported	1) Share Based Expense amendment	2) Amounts due from merchants adjustment	31 December 2019 restated
Loss on ordinary activities before taxation	29,362,701	2,072,913	(559,719)	30,875,895
Accounting loss multiplied by the UK standard corporation tax of 19%	5,578,913	393,853	(106,347)	5,866,420
Expenses not deductible for tax purposes	(311,458)	(393,853)	-	(705,311)
Deferred tax not recognised	(4,557,300)	-	106,347	(4,450,953)
Total tax credit/(expense)	2,072,766	-	-	2,072,766

Statement of cash flows

GoCardless Consolidation	31 December 2019 previously reported	1) Share Based Expense amendment	2) Amounts due from merchants adjustment	31 December 2019 restated
Cashflows from operating activities				
Net loss	(27,289,935)	(2,072,913)	559,719	(28,803,129)
Adjustments for:				
Share options expense	1,250,715	2,072,913	-	3,323,628
Changes in working capital:				
Increase in current trade and other debtors	(4,209,344)	-	(559,719)	(4,769,063)

4. Settlement Account

Since 22 October 2019, payments processed in the BACS and SEPA direct debit schemes are collected from payers and received into a Settlement account. On confirmation that these funds have been received for the benefit of merchants, funds are transferred to a Segregation account before being paid out to merchants. A Settlement account is not used for payments processed in other direct debit schemes. In these schemes payments are received into client monies accounts from where they are paid out to merchants.

The funds processed through the settlement account are for BACS and SEPA. Therefore, cash balances are held in GBP and Euros.

	30 June 2021	30 June 2021
	£	€
Settlement cash balances		
GBP Balance	38,541,215	44,867,538
EUR Balance	6,162,786	7,174,372
	<u>44,704,001</u>	<u>52,041,910</u>

	31 December 2019	31 December 2019
	£	€
Settlement cash balances		
GBP Balance	35,315,957	-
EUR Balance	1,793,117	2,099,423
	<u>37,109,074</u>	<u>2,099,423</u>

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

5. Settlement account liability

Funds received into the Settlement bank account are collected pursuant to the Group's payment transaction services. The Group has a liability to merchant's, customers or banks in respect of funds deposited in the Settlement bank accounts.

	30 June 2021	30 June 2021
	£	€
Settlement liability balance		
GBP Balance	38,541,215	44,867,538
EUR Balance	6,162,786	7,174,372
	44,704,001	52,041,910
	31 December 2019	31 December 2019
	restated	
	£	€
Settlement liability balance		
GBP Balance	37,793,123	-
EUR Balance	1,793,117	2,099,423
	39,586,240	2,099,423

6. Financial risk management

In the course of its business, the Group is exposed to a variety of financial risks such as credit risk, liquidity risk and market risk. The Group's overall risk management programme focuses on operational complexities and credit risk, seeking to minimise potential adverse effects on the Group's financial performance utilising operational policies and procedures.

Risk management is led by senior management who decide on treasury policies to manage the main financial risks.

a) Credit Risk

The Group has two potential expected areas of credit loss. The first is from bad debt where merchants fail to pay the invoice they have received for services provided. The second is losses resulting from transactional payments which have been unsuccessful due to chargebacks and late failures. The Group initially funds the return of amounts to banks or merchants in the event that there are insufficient merchant funds to cover these returns and subsequently recoups these amounts from funds received on behalf of the affected merchants. Losses result if and when these amounts cannot be recovered due to either fraudulent activity by merchants or merchants that become inactive and cease to use the Group's platform.

1. Bad debt

The Group has implemented operational processes and policies to address the Group's credit related risks around merchant default and other transactional impacts. The operational risk is managed by selecting and working with appropriate merchants with a high focus on onboarding controls and continued monitoring of compliance controls.

Transactional bad debt risk is managed by the regular monitoring of aged debt. If necessary, the Group will assess the relationship with the merchant and is constantly managing any significant relationships. See note 17 for assessment of exposure related to trade receivables.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses (ECLs). During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within impairment losses on financial assets in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

6. Financial risk management (cont.)

Write-offs will occur when there is no possibility of the invoice being settled due to reasons such as failing to make contact with the merchant or insolvency.

2. Amounts due from merchants

The Group has implemented certain fraud and compliance checks that require appropriate checks on potential merchants before the merchant can effectively collect transactional payments with their customers. Enhanced checks are performed on prospective merchant's that have features that the Group has historically observed to exhibit a higher risk of fraudulent activity. Additionally, transactions for new customers are held until onboarding checks have occurred. The Group also has monitoring systems that flag activity that may be considered fraudulent and suspends the accounts of merchant's where there is a high probability of fraud. In exceptional cases, where merchants operate in a sector with very high failure or chargeback rates, the Group holds certain cash equivalent balances with partner banks (June 2021: £4.64m, December 2019: £2.29m). These balances are deposits received from merchants to cover any potential failures or chargebacks. Chargeback levels are measured, monitored and the banking partner relationships are well established.

Negative balances arise as a result of the fund flows required by our payment service. On a daily basis, the Group pre-funds all refunds, chargebacks and late failures processed on behalf of merchants and subsequently seeks to recover these amounts from funds collected on behalf of merchants. Negative balances which cannot be recovered constitute losses for the Group.

In cases where it is considered that transactions are fraudulent, a provision equal to the value of the fraudulent transactions is recorded. The Group's experience is that recovery of debts from fraudulent merchant's is very unlikely. Typically, the amounts owed from individual merchants are not significant.

Similarly, the Group has systems which monitor the patterns of merchant activity and when it is observed that merchants have ceased to use the platform completely, taking into account their usual pattern, a provision is recorded equal to the amount of any unrecovered chargebacks and late failure transactions. The Group seeks to recover any amounts due from inactive merchants, however again our experience has been that the rate of recovery is low.

The Group are satisfied the impairment held for failed payments is sufficient. The Group have reviewed the number of chargebacks which have occurred following the period ended June 30 2021 and they are consistent with the June 30 2021 provision. The Group have also reviewed the failed payment balance as at 30 June 2021 and the majority of the unprovided year end balance was recovered within one month.

3. Intercompany balances

The Group's cash, intercompany loan and tax receivable balances are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management considers a "low credit risk" to be applicable for those with high quality external credit ratings or supportable with sufficient liquid debt to be able to settle the outstanding amounts.

(b) Liquidity Risk

Liquidity risk arises from the dynamic business profile and growth of the business. Prudent liquidity management includes maintaining sufficient cash reserves and working capital facilities to facilitate this profile and growth. Cash flow is measured monthly and forecasting is used to manage the projected business growth.

The Group monitors rolling forecasts of the liquidity requirements on a monthly basis to ensure it has sufficient cash to meet operational needs while maintaining sufficient working capital levels at all times.

At the reporting date, the Group held cash and cash equivalents of £37.5m, all of which is held with reputable banks with high credit ratings. The Group did not incur any losses during the 18 month period ended 30 June 2021 as a result of banking failures.

At the reporting date, the Group held the below financial assets and financial liabilities.

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

6. Financial risk management (cont.)

Financial assets	30 June 2021	31 December 2019
	£	£
Cash and cash equivalents	37,477,845	19,818,482
Deposits	5,611,660	3,220,282
Amounts owed by Parent	-	14,359,033
Trade receivables	5,118,079	2,415,118
Tax receivables	2,013,580	3,446,223
Other financial assets	181,764	-
Total financial assets	50,402,929	43,259,138

Financial liabilities	30 June 2021	31 December 2019
	£	£
Borrowings	-	2,000,000
Amounts owed to Group	8,694,739	-
Trade payables	889,642	1,345,985
Other financial liabilities	-	750,000
Total financial liabilities	9,584,381	4,095,985

Maturity Analysis

The table below shows a maturity analysis of undiscounted cash flows, showing items at the earliest date on which the Group could be required to pay the liability.

Financial assets	Less than 1 year (£)	Between 2 and 5 years (£)
At 30 June 2021		
Cash	37,477,845	-
Trade receivables	5,118,079	-
Tax receivable	2,013,580	-
Other financial assets	181,764	-
Total	44,791,268	-
At 31 December 2019		
Security deposits	34,450	3,185,832
Cash	19,818,482	-
Amounts owed by Parent	14,359,033	-
Trade receivables	2,415,118	-
Tax receivable	3,446,223	-
Total	40,073,306	3,185,832

The 2019 amounts owed from the sister company were immediately repayable upon request.

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

6. Financial risk management (cont.)

Financial liabilities

At 30 June 2021	Less than 1 year (£)	Between 2 and 5 years (£)
Amounts owed to Group	8,694,739	-
Trade payables	889,642	-
Total	9,584,381	-

The amounts owed to sister company are immediately repayable upon request.

At 31 December 2019	Less than 1 year (£)	Between 2 and 5 years (£)
Loans	-	2,000,000
Trade payables	1,345,985	-
Other financial liabilities	750,000	-
Total	2,095,985	2,000,000

(c) Market Risk

Foreign exchange risk

The Group has assets and liabilities denominated in currencies other than our sterling reporting currency which are subject to exchange rate risk. The Group does not use derivatives to hedge its currency or interest rate exposures. Transactions processed are paid out in the currency received and all fees are charged in that currency. The Group's cash and cash equivalents balance not denominated in GBP at June 2021 were £26.2m (December 2019: £8.7m). All other variables constant, if the UK sterling had weakened/strengthened against held currencies by +/- 5%, cash and cash equivalents available would not be materially impacted.

	£'000	-5% Profit	Equity	+5% Profit	Equity
Assets:	Carrying value				
Cash and cash equivalents- held in foreign currencies					
Held in USD	16,125	(806)	(806)	806	806
Held in EUR	8,628	(431)	(431)	431	431
Held in NZD	717	(36)	(36)	36	36
Held in DKK	310	(15)	(15)	15	15
Held in AUD	254	(13)	(13)	13	13
Held in other foreign currencies	199	(10)	(10)	10	10
Total increase/(decrease)	26,233	(1,311)	(1,311)	1,311	1,311

Interest rate risk

Changes in interest rates do not affect the Group's obligation as the group has no variable rate loans.

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

6. Financial risk management (cont.)

Capital risk management

The Group manages its capital to ensure the Group will be able to continue as a going concern and to provide value for its stakeholders. The capital structure of the Group consists of equity attributable to shareholders of the parent, comprising issued capital, reserves and accumulated losses, and loans from 3rd financial institutions less cash and cash equivalents as presented on the face of the statement of financial position.

The Group monitors capital resources on a continuing basis and adjusts the capital structure in light of any significant changes in economic conditions and the risk characteristics of underlying assets.

The Group's total debt to equity ratio is 95% as at 30 June 2021, an increase from 48% as at 31 December 2019. The Group has met all necessary capital requirements as at period-end and currently, the Group does not pay any dividends.

As part of the FCA monitoring, the Group is required to ensure they have adequate capital resources to cover their ongoing capital requirements. The Group does this using Method C which is based on the firm's income over the previous financial year with a scaling factor. The submission for 2021 was submitted in August 2021 and showed the Group had headroom of €42.4m.

7. Revenue

All revenue relates to transactions generated in the United Kingdom, the rest of Europe, North America and APAC as highlighted below. Revenues for the eighteen-month period-ended 30 June 2021 were £68.0M (31 Dec 2019: £29.3m).

Disaggregation of revenue

The Group disaggregates revenue from contracts with customers by contract type and geographical location, as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

Aggregate revenue split by geographical location:

	18 month period ended 30 June 2021	Year ended 31 December 2019
Country	£	£
United Kingdom	55,935,712	24,931,041
France	4,927,884	2,157,472
Germany	1,814,507	667,075
Australia	999,558	183,958
Ireland	813,311	336,060
United States	709,742	50,255
Spain	697,400	456,417
New Zealand	558,864	72,395
Other	1,516,499	440,577
	<u>67,973,479</u>	<u>29,295,250</u>
	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Variable revenue	48,478,812	23,611,206
Contract revenue	19,494,666	5,684,044
	<u>67,973,479</u>	<u>29,295,250</u>

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****8. Costs of obtaining contract assets**

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Cost to obtain contracts with customers during the period	4,361,582	1,405,517
Amortisation of cost to obtain contract assets in line with contract performance	(1,970,536)	(381,093)
	<u>2,391,046</u>	<u>1,024,424</u>

Costs to obtain contract assets consist of commission payable to sales employees and are amortised over the period of the customer contract to which they relate.

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Current cost to obtain contract assets	1,476,964	659,822
Non-current cost to obtain contract assets	914,082	364,602
	<u>2,391,046</u>	<u>1,024,424</u>

9. Expenses by nature

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Direct costs	14,108,583	6,888,638
Administrative expenses		
Operating lease payments	1,396,279	441,142
Employee expenditure	60,479,759	30,803,076
Research & development	5,861,626	4,578,065
Marketing and customer acquisition costs	5,301,049	3,545,346
IT expenses	5,406,929	2,239,036
Professional fees	2,005,684	2,027,431
Share based options expense	1,531,452	3,323,628
Intercompany services	6,422,745	505,405
Other expenses	8,214,008	515,119
Total administrative expenses	<u>96,619,531</u>	<u>47,978,248</u>
Total cost of sales and administrative expenses	<u>110,728,113</u>	<u>54,866,886</u>

For the 18 month period ended 30 June 2021, other expenses mainly include £2.1 of VAT output expensed prior to the VAT status changed in June 2020, £1.1m of office expenses, £0.9m of professional fees and £0.8m of insurance, as well as other items.

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

10. Auditors' remuneration

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Fees payable to the Company's auditors for the audit of the Company	500,000	154,313
Fees payable to the Company's auditors for other services:		
- Tax advisory services	-	96,472
- Fees payable for other services	217,000	-
Total Auditors' Remuneration	717,000	250,785

11. Finance income and costs

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Term loan interest	88,906	161,782
Loan financing costs	360,000	215,997
Property lease costs	942,694	577,837
Other interest	-	691
Total finance costs	1,391,600	956,307
Interest income	(52,134)	(41,408)
Net finance costs	1,339,466	914,899

The effective interest rate of the term loan facility with SVB is 22.58%.

In July 2020 the SVB term loan facility was fully repaid with a final payment of £360k.

Cashflow Analysis

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Term loan interest	88,906	161,782
Loan financing costs	360,000	215,997
Other interest	-	691
Total finance costs	448,906	378,470
Interest income	(52,134)	(41,408)
Net finance costs	396,772	337,062

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****12. Directors' emoluments and employees****(a) Employee benefit expense**

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Employee costs during the year (including directors)		
Wages and salaries	56,739,541	30,207,254
Social security costs	7,896,780	4,337,469
Share based payments	1,531,452	3,323,628
Other pension costs	1,705,064	836,418
Total	67,872,837	38,704,769

(b) Average number of people employed

	18 month period ended 30 June 2021	Year ended 31 December 2019
	Number	Number
Average number of people employed during the year (including directors)		
Sales and marketing	139	86
Operations	299	236
Total	438	322

(c) Directors' emoluments and key management compensation

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Directors' emoluments		
Wages and salaries	347,916	181,400
Social security costs	46,137	30,054
Share based payments	131,427	219,907
Other pension costs	10,807	6,240
Aggregate emoluments	536,287	437,601

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Highest paid director		
Wages and salaries	344,917	179,400
Social security costs	45,775	29,813
Share based payments	131,427	219,907
Other pension costs	10,807	6,240
Aggregate emoluments	532,926	435,360

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****12. Directors' emoluments and employees (cont.)**

Key management of the Group are the directors of the Company and are included above and include options granted with service during that period.

During the 18 month period ended June 2021 1 Director (2019: 1 Director) exercised share options which have vested.

13. Pension Scheme

The Group operates a contribution scheme for which the pension cost charges for the period amounted to £1,705,064 (December 2019: £836,418). As at 30 June 2021 £574,174 has been included in the trade and other payables for contributions (December 2019: £186,373) to be paid.

14. Income tax

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Current tax		
UK corporation tax at 19%	-	-
Prior year adjustment	(25,094)	510,353
R&D Tax credit 2019	-	1,591,870
R&D Tax credit 2020	1,303,235	-
R&D Tax credit first six month 2021	651,618	-
Foreign tax	(188,354)	(29,457)
Total tax credit/(expense)	1,741,405	2,072,766

	30 June 2021	31 December 2019 restated
	£	£
Deferred tax		
Origination/reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax credit/(expense)	-	-
Income tax credit/(expense)	1,741,405	2,072,766

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

14. Income tax (cont.)

Reconciliation of the total tax charge: The UK tax charge reported in the income statement for the year is different to the standard rate of Corporation Tax in the UK of 19% in 2021 (19% in 2019). The differences are reconciled below:

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Loss on ordinary activities before taxation	48,562,965	30,875,895
Accounting loss multiplied by the UK standard corporation tax of 19%	9,226,963	5,866,420
Effects of:		
Fixed asset timing differences	(195,761)	(25,227)
Expenses not deductible for tax purposes	(290,976)	(705,311)
Income not chargeable for tax purposes	1,012,708	1,999
Adjustments to brought forward values	-	27,089
Other permanent differences	6,240	618,589
Impact of R&D tax relief ("Super deduction")	3,402,674	1,178,987
Surrender of tax losses for R&D tax credit refund	(2,561,531)	(494,029)
Adjustments to tax charge in respect of previous periods	(25,094)	510,353
Adjust closing deferred tax to average rate of 19%	-	(955,751)
Adjust opening deferred tax to average rate of 19%	-	409,373
Difference in tax rates	(62,345)	91,228
Deferred tax not recognised	(8,771,473)	(4,450,953)
Total tax credit/(expense)	1,741,405	2,072,766

In March 2021 the UK Government announced its intention to increase the corporation tax rate from 19% to 25% from 1 April 2023. The increased rate was substantively enacted on 24 May 2021, before receiving Royal Assent on 10 June 2021. The value of unrecognised deferred tax assets noted below are stated at this higher rate.

* Unused tax losses for which no deferred tax asset has been recognised in the balance sheet at 30 June 2021 total £86.7m (31 December 2019: £47.4m) - the unrecognised deferred tax amounts to £21.7m (2019: £9m).

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

15. Property, plant and equipment

GoCardless Consolidation

	Furniture & Fixtures	Office Equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 Jan 2019	480,132	1,272,649	1,712,895	3,465,676
Additions	181,014	435,370	55,614	671,998
At 31 December 2019	661,146	1,708,019	1,768,509	4,137,674
Additions	59,129	571,431	40,000	670,559
Disposals	-	(136,077)	-	(136,077)
At 30 June 2021	720,275	2,143,373	1,808,509	4,672,157
Accumulated Depreciation				
At 1 Jan 2019	51,574	410,949	250,254	712,777
Charge for period	57,573	392,137	168,815	618,525
At 31 December 2019	109,147	803,086	419,069	1,331,302
Charge for period	99,464	667,456	249,797	1,016,716
Disposals/reclassification	-	(115,667)	-	(115,667)
At 30 June 2021	208,611	1,354,875	668,866	2,232,351
Net book value				
At 30 June 2021	511,664	788,498	1,139,643	2,439,805
At 31 December 2019	551,999	904,933	1,349,440	2,806,372

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

15. Property, plant and equipment (cont.)

GoCardless Limited

	Furniture & Fixtures	Office Equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 Jan 2019	478,623	1,261,454	1,712,895	3,452,972
Additions	177,538	408,789	55,614	641,941
At 31 December 2019	656,161	1,670,243	1,768,509	4,094,913
2019 closing balance adj.	3,396	17,286	-	-
Additions	62,525	586,609	40,000	689,134
Disposals	-	(136,077)	-	(136,077)
At 30 June 2021	718,686	2,120,775	1,808,509	4,647,970
Accumulated Depreciation				
At 1 Jan 2019	51,497	409,860	250,254	711,611
Charge for period	57,168	383,779	168,815	609,762
At 31 December 2019	108,665	793,639	419,069	1,321,373
2019 closing balance adj.	248	4,249	-	-
Charge for period	99,506	662,031	249,797	1,011,334
Disposals/reclassification	-	(115,667)	-	(115,667)
At 30 June 2021	208,171	1,340,003	668,866	2,217,040
Net book value				
At 30 June 2021	510,515	780,772	1,139,643	2,430,930
At 31 December 2019	547,496	876,604	1,349,440	2,773,540

16. Lease liability

GoCardless Consolidation & GoCardless Limited

The Group has assessed their leases and identified the lease of the Sutton Yard property in London is a Right of Use asset. This has been reflected in the 2019 accounts and retrospectively applied.

This is a 10 year lease which commenced in October 2017 and has a break clause after 5 years. The first 26 months of the lease have a reduced payment schedule with an additional reduced payment schedule in the 22 months following the break clause. The payment schedule was fixed at the start of the lease.

There are no further leases within the Group with a similar commitment existing or yet to start.

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Cash outflow	2,163,714	894,475
Interest expense	(942,694)	(577,837)
Capital repayment	1,221,020	316,638

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

16. Lease liability (cont.)

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Opening lease balance	9,052,528	9,655,421
Capital repayment	(1,221,020)	(316,639)
Prepaid expense	-	(286,255)
Lease modification	(1,562,578)	-
Closing lease value	<u>6,268,930</u>	<u>9,052,527</u>

Depreciation relating to the lease has been charged during the period.

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Opening Right of Use asset value	8,013,334	9,058,552
Depreciation charge	(1,136,056)	(1,045,218)
Lease modification	(1,562,578)	-
Closing Right of Use asset value	<u>5,314,700</u>	<u>8,013,334</u>

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Within 1 year	1,114,656	1,081,388
2 - 5 years	3,603,768	3,935,319
5 years +	1,550,507	4,035,820
	<u>6,268,931</u>	<u>9,052,527</u>

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****17. Intangible Assets****GoCardless Consolidated & GoCardless Limited**

	£		£
Cost		Cost	
At 1 January 2020	1,079,423	At 1 January 2019	750,000
Additions	38,000	Additions	329,423
Disposals/reclassification	30,000	Disposals/reclassification	-
At 30 June 2021	1,147,423	At 31 December 2019	1,079,423
Accumulated Amortisation		Accumulated Amortisation	
At 1 January 2020	182,401	At 1 January 2019	-
Charge for period	317,470	Charge for period	182,401
At 30 June 2021	499,871	At 31 December 2019	182,401
Net book value		Net book value	
At 30 June 2021	647,552	At 31 December 2019	897,022
At 1 January 2020	897,022	At 1 January 2019	750,000

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

18. Trade and other receivables

GoCardless Consolidated

	30 June 2021	31/12/2019 restated
Trade receivables	£	£
Current trade receivables (less than 30 days)	3,679,800	1,696,359
30-90 day overdue trade receivables	1,148,491	556,339
90 day+ overdue trade receivables	963,798	162,420
Total trade receivables	5,792,089	2,415,118
Bad debt provision		
Current trade receivables (less than 30 days)	(4,661)	(57,604)
30-90 day overdue trade receivables	(125,987)	(67,085)
90 day+ overdue trade receivables	(543,362)	(141,627)
Total bad debt provision	(674,010)	(266,316)
Amounts due from merchants		
Amounts due from merchants	6,742,872	6,684,776
Failed payments provision	(1,259,697)	(889,050)
Fraud loss provision	(3,397,960)	(2,179,309)
Total amounts due from merchants	2,085,215	3,616,417
Other receivables		
Tax receivable	2,013,580	3,446,223
Prepayments	3,737,653	2,859,416
Other debtors	1,647,865	378,229
Total other receivables	7,399,098	6,683,868
Rental deposits	968,834	929,869
Security deposits	4,642,826	2,290,413
Other receivables : amounts over one year	5,611,660	3,220,282
Total trade and other receivables	20,214,051	15,669,369

The Group does not hold any material trade receivables over one year.

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****18. Trade and other receivables (cont.)**Impairment on financial assets:

The Group holds a provision for negative balances which are held by merchants who are no longer actively collecting. A negative balance occurs when there are payment failures or chargebacks that have occurred. When merchants are actively collecting, any negative balances will be repaid from subsequent collections by merchants. For merchants that have ceased using the Group's platform, negative balances cannot be recovered from subsequent collections. The Group provides for the full amount of negative balances due from inactive merchants. The Group seeks the repayment of these negative balances although no amounts have been recovered during the period.

Failed payments provision	30 June 2021	31 December 2019
	£	£
Opening provision	889,050	559,426
Additional provision	370,647	329,624
Closing provision	<u>1,259,697</u>	<u>889,050</u>

The Group holds an additional provision for losses which have been identified as fraudulent activity. It is unlikely these will be recovered.

Fraud loss provision	30 June 2021	31 December 2019
	£	£
Opening provision	2,179,309	-
Additional provision	1,218,651	2,179,309
Closing provision	<u>3,397,960</u>	<u>2,179,309</u>

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

18. Trade and other receivables (cont.)

GoCardless Limited	30 June 2021	31/12/2019 restated
	£	£
Trade receivables		
Current trade receivables (less than 30 days)	3,111,694	1,696,359
30-90 day overdue trade receivables	1,016,127	556,339
90 day+ overdue trade receivables	798,941	162,420
Total trade receivables	4,926,762	2,415,118
Bad debt provision		
Current trade receivables (less than 30 days)	(4,163)	(57,604)
30-90 day overdue trade receivables	(98,990)	(67,085)
90 day+ overdue trade receivables	(419,817)	(141,627)
Total bad debt provision	(522,970)	(266,316)
Amounts due from merchants		
Amounts due from merchants	6,742,872	6,684,776
Failed payments provision	(1,259,696)	(889,050)
Fraud loss provision	(3,397,960)	(2,179,309)
Total amounts due from merchants	2,085,215	3,616,417
Other receivables		
Loans to affiliate undertakings	-	2,913,216
Tax receivable	2,013,580	3,446,223
Prepayments	3,414,760	2,789,580
Other debtors	1,475,177	113,376
Total other receivables	6,903,517	9,262,395
Rental deposits	911,842	913,089
Security deposits	4,642,826	2,290,413
Other receivables : amounts over one year	5,554,668	3,203,502
Total trade and other receivables	18,947,192	18,231,115

19. Cash at bank and in hand

GoCardless Consolidated	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Cash at bank and in hand	37,477,845	19,818,482
Total cash at bank and in hand	37,477,845	19,818,482

The Group's procedures and controls with respect of funds held in the settlement accounts means that they are payable to customers of the Group shortly after the balance sheet date. These funds therefore cannot be used by the Company in the ordinary course of business. As such they are not considered to be included as part of the Cash at bank and in hand balance.

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

19. Cash at bank and in hand (cont.)

GoCardless Limited

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Cash at bank and in hand	34,883,099	15,160,679
Total cash at bank and in hand	34,883,099	15,160,679

The Group's procedures and controls with respect of funds held in the settlement accounts means that they are payable to customers of the Group shortly after the balance sheet date. These funds therefore cannot be used by the Company in the ordinary course of business. As such they are not considered to be included as part of the Cash at bank and in hand balance.

20. Trade and other payables

GoCardless Consolidated

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Trade payables	889,642	1,345,985
Other taxation and social security	6,655,439	1,454,232
Other payables	1,677,181	1,099,103
Accrued expenses	5,880,327	3,190,678
Deferred revenue	2,068,190	-
Accrued intangible asset	-	750,000
Total trade and other creditors	17,170,779	7,839,998

GoCardless Limited

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Trade payables	830,612	1,288,917
Other taxation and social security	6,105,632	1,215,881
Loans from affiliated undertakings	-	4,129,316
Other payables	1,652,337	1,008,366
Accrued expenses	5,231,285	3,011,240
Deferred revenue	1,523,994	-
Accrued intangible asset	-	750,000
Total trade and other creditors	15,343,861	11,403,720

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

21. Borrowings and amounts falling due after more than one year

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Short-term borrowings	-	-
Long-term borrowings	-	2,000,000
Total borrowings	-	2,000,000

In July 2018, the Company and its Parent company entered into a typical venture debt agreement with Silicon Valley Bank (SVB) for the provision of term and revolving credit facilities of up to £14m (the "SVB Agreement"). The term loan facility under the SVB Agreement may be drawn down in tranches of at least £2m, with interest on each tranche being repayable from the drawdown date, and principal from the 12th month following drawdown, with the final repayment date of each tranche being 42 months from drawdown. The revolving facility is comprised of an initial £4m availability, and a further £2m availability contingent upon certain growth targets being met by the Company.

Revolving facility tranches are subject to interest rate charges at the greater of an annualised rate of 5.5% above the Bank of England base rate and 6%. Term loan tranches similarly accrue interest at the greater of 8.5% above the Bank of England base rate and 9%. Any interest cost is charged to finance costs in the income statement. The Company drew £2m directly from the term loan facility during 2018, which was still outstanding at 31 December 2019. In July 2020, the term loan facility was fully repaid so that there are no borrowings outstanding at the balance sheet date.

	GoCardless Consolidated		GoCardless Limited	
	18 month period ended 30 June 2021	Year ended 31 December 2019	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£	£	£
Cash at bank and in hand	37,477,845	19,818,482	34,883,099	15,160,679
Short-term borrowings	-	-	-	-
Long-term borrowings	-	(2,000,000)	-	(2,000,000)
Lease liabilities	(6,268,931)	(9,052,527)	(6,268,931)	(9,052,527)
Net debt	31,208,914	8,765,955	28,614,168	4,108,152

GoCardless Limited

Notes to the consolidated financial statements

18 month period ended 30 June 2021

22. Shareholder Capital and Reserves Consolidated

The balance on the share capital account represents the aggregate nominal value of all ordinary shares, with full right regarding voting, participation and dividends, in issue to the parent company. All ordinary shares have a nominal value of £1.00.

The Company's parent Company has issued warrant options exercisable based on the Loan Agreement with SVB. The warrant is exercisable through the Company's parent company and the costs of the warrant have been pushed down to the Company. The impact of the warrants is recorded to other equity reserves in the Company. The share options form part of the Other Equity Reserves.

134,380,027 shares have been authorised by the Company. The number of issued shares to the Company are as below and there are no shares issued and not fully paid at 30 June 2021.

	Number of Shares	Share Capital £	Foreign Currency Translation Reserve £	Other Equity Reserves £	Total £
At 1 Jan 2019 restated	31,381,257	31,381,257	-	3,420,293	34,801,550
Ordinary shares	63,691,131	63,692,131	-	-	63,692,131
Share based payment reserve	-	-	-	3,323,628	3,323,628
Foreign currency translation reserve	-	-	(12,687)	-	(12,687)
At 31 December 2019 restated	95,072,388	95,073,388	(12,687)	6,743,921	101,804,622
At 1 Jan 2020	95,072,388	95,073,388	(12,687)	6,743,921	101,804,622
Ordinary shares	39,307,639	39,306,639	-	-	39,306,639
Share based payment reserve	-	-	-	1,531,452	1,531,452
Foreign currency translation reserve	-	-	(250,947)	-	(250,947)
At 30 June 2021	134,380,027	134,380,027	(263,634)	8,275,373	142,391,766

23. Share based payments

The Group operates an equity-settled share-based compensation plan established under the Enterprise Management Initiative ("EMI") scheme for shares of the parent Company, for certain employees under which the entity receives services from employees as consideration for equity option instruments (share options) in the parent. The fair value of the employee services received in exchange for the grant of options is expensed within the Group's accounts on the liability basis at each reporting period, based on the Group's estimate of shares that will eventually vest and the value of the share price as at period-end. As the shares are exercisable with the parent Company, the Group recognises the impact of share-based payments granted to other equity reserves.

In December 2019, the Group introduced an Ordinary Share Option scheme, being an additional equity-settled share-based compensations scheme for shares of the parent Company, made available to certain employees under which the entity receives services from employees as consideration for equity option instruments (share options) in the parent. The fair value of the employee services received in exchange for the grant of the options is expensed within the Group's accounts on the liability basis at each reporting period, based on the Group's estimate of shares that will eventually vest and the value of the share price as at period-end. As the shares are exercisable with the parent Company, the Group recognises the impact of share-based payments granted to other equity reserves.

GoCardless Limited
Notes to the consolidated financial statements
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23. Share based payments (cont.)

Compensation Plan

The fair value of the awards granted under the EMI and the assumptions used in the calculation of the share-based payment expense are as follows:

Valuation model	Estimation model to predict Company standard deviation
Date of grant	31 October 2013 to 11 December 2018
Option expiration date	10 years from grant date
Number granted	0.3k to 676k
Exercise price at date of reward	\$0.225
Fair value	\$0.1063 to \$2.8305
Option exercise price	\$0.225 to \$0.45
Expected life of award	Four years
Vesting conditions	Time based (nil years to 4 years of service)
Forfeiture rate	21%

No new awards have been granted under the EMI scheme in either the 18 month period ended 30 June 2021 or the year ended 31 December 2019.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. The fair value of awards granted under EMI is measured using a Black Scholes model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity as per IFRS 2, and is as follows:

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Share Option Expense	574,828	3,232,273

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

23. Share based payments (cont.)

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

		30 June 2021	31 December 2019
	Average Exercise Price	No. of Shares	No. of Shares
At Beginning of period	\$0.262	5,491,434	7,426,459
Exercised:	\$0.230	(1,548,200)	(1,504,202)
Granted	-	-	-
Forfeited/Cancelled	\$0.225	(299,453)	(430,823)
Outstanding at the end of period		3,643,781	5,491,434
Vested at end of period	\$0.269	3,129,116	5,438,265
Weighted average remaining contractual life of options outstanding at end of period		6.38 years	7.92 years

The fair value of the awards granted under the Ordinary Share Option Scheme and the assumptions used in the calculation of the share-based payment expense are as follows:

Valuation model	Black Scholes
Date of grant	10 December 2019 to 8 March 2021
Option expiration date	10 years from grant date
Number granted	50k to 948k
Fair value	\$0.38 to \$2.13
Option exercise price	\$7.4 - \$12.27
Expected life of award	1.9 to 3 years
Vesting conditions	Time based (nil years to 4 years of service)
Forfeiture rate	21%

GoCardless Limited**Notes to the consolidated financial statements****18 month period ended 30 June 2021****23. Share based payments (cont.)**

	Tranches issued within 18 month period ended 30 June 2021	Tranches issued within 2019
Fair value of issued share options	\$0.38 - \$2.13	\$0.55
Exercise price	7.4 - 12.27	7.4
Expected life of award	1.9 - 2.5	4
Volatility	42.5%	40%
Risk free rate	0.0% - 0.2%	1.60%

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. The fair value of awards granted under EMI is measured using a Black Scholes model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the entity revises its estimates of the number of options that are expected to vest, with any changes in estimate recognised in the income statement, with a corresponding adjustment in equity as per IFRS 2, and is as follows:

	18 month period ended 30 June 2021	Year ended 31 December 2019 restated
	£	£
Share Option Expense	956,623	91,355

Movements in the number of outstanding conditional awards of shares currently exercisable are as follows:

	Exercise Price	30 June 2021 No. of Shares	31 December 2019 No. of Shares
At Beginning of period	\$7.400	581,800	-
Exercised:	-	-	-
Granted	\$10.062	1,475,668	581,800
Forfeited/Cancelled	\$7.434	(210,780)	-
Outstanding at the end of period	\$9.530	1,846,688	581,800
Vested at end of period	\$8.239	590,027	-
Weighted average remaining contractual life of options outstanding at end of period		8.97 years	9.95 years

GoCardless Limited
Notes to the consolidated financial statements
18 month period ended 30 June 2021

24. Commitments and contingencies

The Group does not have any material commitments under non-cancellable lease agreements, other than the lease liability disclosed in note 15.

25. Related party transactions

Key management are considered to be the Directors and the Executive Management team. Details of emoluments are disclosed below.

	18 month period ended 30 June 2021	Year ended 31 December 2019
	£	£
Key Management emoluments		
Wages and salaries	3,242,141	2,031,727
Social security costs	435,944	328,375
Other Pension costs	86,435	53,623
Share based payments	1,169,838	1,418,104
Aggregate emoluments	4,934,357	3,831,829

During the 18 month period ended 30 June 2021, the Group received £30k (Dec 2019: £36k) of consulting services from "Skilled Sales Ltd.", a related party by virtue of Matt Robinson, a director of the Company. £24k of which had been settled as of 30 June 2021.

At 30 June 2021 the Group had an intercompany payable from its sister company, GoCardless Inc., of £5.9m (December 2019: nil) and its parent company, Groupay Inc., of £2.8m (December 2019: nil).

At 30 June 2021, the other debtors balance includes a £0.2m Director loan receivable related to a loan granted to Hiroki Takeuchi, a director of the Company.

The Group is following IAS 24 and is not disclosing the intercompany receivable and payable balances within the Group.

26. Investments in subsidiary companies

Investments in Subsidiary Companies			
	£		£
Cost or valuation		Cost or valuation	
At 1 January 2020	5,166,050	At 1 January 2019	25,850
Reclassification	(1,028)	Additions	5,140,200
At 30 June 2021	<u>5,165,022</u>	At 31 December 2019	<u>5,166,050</u>
Net book value		Net book value	
At 30 June 2021	5,165,022	At 31 December 2019	5,166,050
At 1 January 2020	5,166,050	At 1 January 2019	25,850

There has been no impairment in either the 18 month period ended 30 June 2021 or the year ended 31 December 2019.

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26. Investments in subsidiary companies

Direct subsidiary undertakings

The following were subsidiary undertakings of the Group:

Name	Country of incorporation	Address	Class of Shares	Holding	Principal activity
Gocardless GmbH	Germany	Herzogspitalstrasse 24, Munich 80331	Ordinary	100%	Trading Company
Gocardless SAS	France	7 Rue de Madrid, 75008 Paris	Ordinary	100%	Trading Company

The Company maintains branches in Australia, New Zealand and South Africa for operational purposes.

The South African branch was deregistered on November 4, 2021.

27. Ultimate parent company

The ultimate controlling entity is Groupay Inc. ("parent company") whose registered address is 160 Greentree Drive, Suite 101, Dover, Kent, Delaware, 19904, U.S.A.

28. Safeguarding

The Group safeguards customer funds in accordance with the Payment Services Regulations 2017. It has established safeguarding accounts with its bankers for this purpose. At 30 June 2021 funds held in safeguarding bank accounts amounted to £24m (December 2019: £52m). These balances are not recorded on the statement of financial position.

29. Post financial statement events

The Group's parent company raised \$312.0m through its Series G round in December 2021.