

Registration number:
07495895

GoCardless Limited

Annual Report and Consolidated Financial Statements
For the year ended 31 December 2019



Annual report and consolidated financial statements

Year ended 31 December 2019

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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
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
E Mathan

Registered office

Sutton Yard
65 Goswell Road
London
England
EC1V 7EN

Registered number

07495895

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Strategic Report

Year ended 31 December 2019

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.

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.

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 Transferwise, which was successfully launched at the end of 2019 as International Payments.

During 2019, the Group processed £10.3 billion worth of transactions for over 50,000 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 offices in London, Paris, Munich and Melbourne, a 5th office was opened in mid-2019 in San Francisco. Employee numbers grew from 264 at the start of 2019 to 376 by December, with investments across all departments and geographies.

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.

In November 2019, new pricing was launched alongside International Payments which allows merchants to collect payments across different schemes globally and have the funds paid out in their domestic currency. The new pricing was implemented for new merchants with the plan to move existing merchants onto the new pricing throughout 2020.

In June 2019, we launched access to ACH (which allows merchants to now collect in the US).

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

In February 2019, the Company’s parent company, Groupay Inc. completed a series E funding round, raising \$75.5m which was further enhanced with an extension of \$22.5m in October 2019.

Trading performance – key performance indicators

The results and financial statements presented are for the twelve months started 1 January 2019 and ended 31 December 2019 with prior year comparatives of the twelve months started 1 January 2018 and ended 31 December 2018.

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
- volume of transactions processed

Strategic Report

Year ended 31 December 2019

	12 Months Ended 31 December 2019	12 Months Ended 31 December 2018
Revenue (£)	29.3m	20.1m
CRA	4.5m	1.1m
VRA	24.8m	19.0m
Revenue		
UK	25.3m	17.9m
International	4.0m	2.2m
New Bookings (£)		
Sign ups	4.2m	2.2m
Activations	67k	49k
	20k	16k
Payment Volume (£)	10,277m	6,230m

Trading performance – review of the period

Revenue

Revenue for the year ended 31 December 2019 was £29.3m which represents a 46% increase versus the year ended 31 December 2018 and was driven by an increase in both our variable and committed revenues, growing by 30% (£5.8m) and 301% (£3.4m) 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 6% in the year ended 31 December 2018 to 15% in the year ended 31 December 2019. Revenue from our 2019 cohort (which represents new merchants on-boarded in the year) grew by 55% versus the cohort's performance in the prior year. Revenue from our international locations also grew by 83% to £4.0m in the year ended 31 December 2019 (2018: £2.2m), increasing the International revenue share to 14% of our total revenues (2018: 11%). Revenue in the UK grew by 41% over the same period to £25.3m (2018: £17.9m).

The increase in our CRA revenue was driven by a 92% increase in new bookings (average contract value signed) which totalled £4.2m for the year ended 31 December 2019 (2018: £2.2m). Additionally, there was a significant increase in our VRA leading indicators including sign ups (38%) and activations (28%).

Several new merchants were added during 2019 most notably Docusign, Expensify and PayPal - in addition to new Partnerships signed with Salesforce and Recurly, as well as an extension of the current agreement with Xero.

Financial Results

The Group's administrative expenses were £46.5m for the year ended 31 December 2019 (December 2018: £28.1m). The Group generated an EBITDA loss for the year of £26.8m (December 2018: £13.1m) and a net loss of £27.3m for the year (December 2018: £14.5m, which is an increase of 88% in net loss while revenues increased by 46% against the prior year. The Group adopted IFRS16 during the year which reduced the EBITDA loss by £1.6m for the year.

The continued investment in product, 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 EBITDA losses.

Cash flow, banking facilities and financial position

The Group finished the year ended 31 December 2019 in a strong financial position with closing cash of £19.8m.

Net assets at 31 December 2019 increased to £39.6m from £2.0m as at 31 December 2018.

In February 2019, the Group and its Parent company completed a series E investment round generating \$75.5m of equity funding, this was extended in October 2019 with an additional \$22.5m. The Group has access to the cash held at the parent company on an unrestricted basis.

Strategic Report

Year ended 31 December 2019

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, the largest ones being Accel Capital, Adams Street Direct Venture/Growth Fund, GV, Salesforce Ventures LLC, Notion Capital, Balderton Capital and Passion Capital.

In the recurring payments industry, the Directors believe that the ever-increasing complexity of the global payments system combined with the introduction of demanding new regulations and/or legislation will result in growing and ongoing demand for the Group's product and service. The Group has grown its global presence significantly and this growth is expected to continue through further expansion of its international capabilities.

The Group has a very low market share and thus sees the opportunity for growth as extensive. It also intends to launch payment intelligence products throughout 2020 which will assist in gaining a greater share of wallet amongst its existing merchant base.

The top 20 merchants account for 14% of total revenue compared to 15% in 2018. The continued expansion into the Mid-Market and Enterprise segments is expected to also drive growth.

Both new and existing partnerships are also expected to drive growth and partnerships now account for 40% of revenue compared to 36% in 2018.

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.

However COVID-19 is of course impacting many businesses as well as some of the merchants that GoCardless serves in a very severe way, which has 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, has implemented several cost saving measures including reducing discretionary spend, a small number of redundancies and furloughs and a company wide temporary pay reduction.

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

Managing Risk

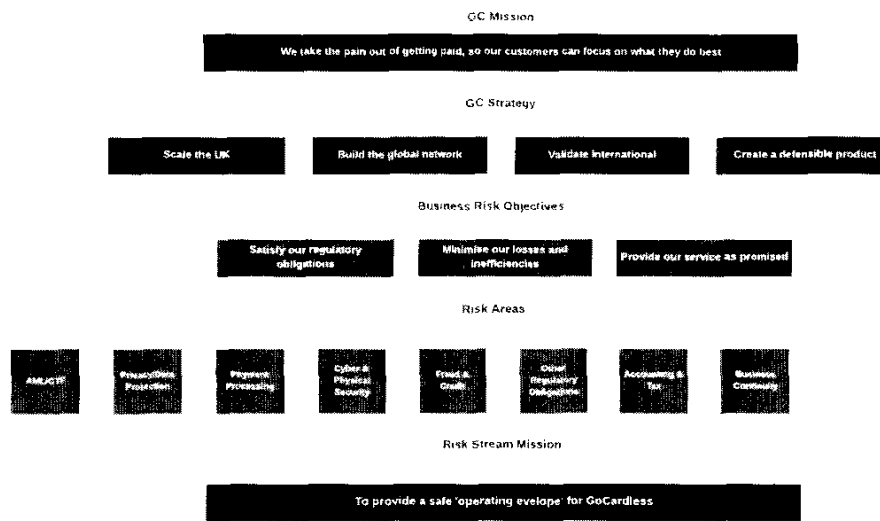
As part of its operating activities, the Group is exposed to a number of risks - both internal and external. The Group looks to manage these risks on an ongoing basis.

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 as set by the board. 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:

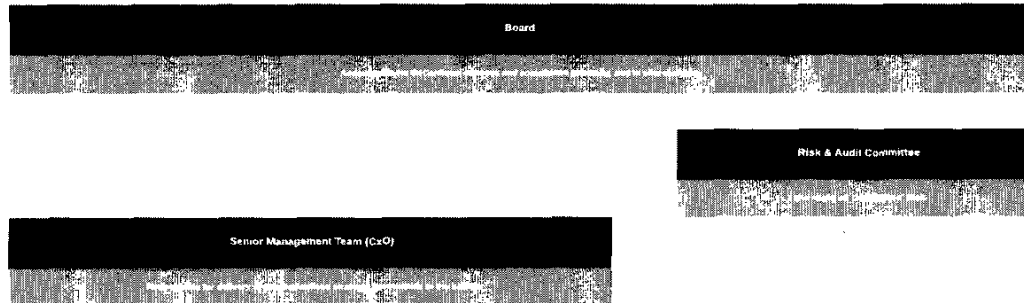
- Satisfy the Group's regulatory obligations;
- Minimise the Group's losses and inefficiencies; and
- To provide the Group's services as promised.

Strategic Report

Year ended 31 December 2019



The ERM also sets out roles and responsibilities of the Board, senior management and internal committees. In 2019, the Group 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.

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 CXO 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

Strategic Report

Year ended 31 December 2019

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.

Risks Areas

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 are a member of the internal risk committee.

Risk	Key areas	How risks are managed
Accounting and Tax	Reporting, sales taxes, liability management, regulatory capital and safeguarding requirements, 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.
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.
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 risk operations team is responsible for all aspects of fraud and credit risk, working closely with the product and finance organisations 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.	The legal and regulatory compliance teams support the organisation in identifying and mitigating legal and regulatory risks.
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 Office is responsible for privacy and data protection risk, implementing appropriate policies, training and controls throughout the Group through close relationships with all teams.

Strategic Report

Year ended 31 December 2019

COVID-19

Management has reassessed its risk register in light of COVID-19. The key area where risk has increased is around credit which is provided to merchants to fund refunds; given the heightened risk of bankruptcies, there is risk as to the recoverability of that credit. Several initiatives are underway to limit the exposure through manual processes and automated development within the product, all of which give management the confidence they are able to manage their exposure in this area.

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 believe they are well placed to manage through COVID-19 due to the diversification of the merchant base, well capitalised balance sheet and the suitability of the product to on-line processing which is in some cases benefitting from the current crisis.

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

During 2019, in response to planning for Brexit and to improve safeguarding, a new funds flow was introduced which led to the creation of a settlement account outside of the safeguarded accounts. The settlement account has been brought on the balance sheet.

Management has implemented steps to address the possibility of the withdrawal of passporting of UK payment service licenses at the expiry of the transition period for the UK's exit from the European Union (EU) on 31 December 2020. In January 2020, the Group activated its payment service license issued to GoCardless SAS, a subsidiary undertaking, registered in France. Since the activation of this license, services to merchants operating within the EU have been provided by GoCardless SAS. Consequently, the Group does not rely on the passporting of its UK payments service license in order to provide services to merchants in the EU.

Directors' Report

Year ended 31 December 2019

Statement of Directors' Responsibilities

The results for the year, together with the comparative figures for the year ended 31 December 2019, have been prepared under International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with IFRSs as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Charitable Donations

Worldwide charitable donations made by the Group during the period were £3k (December 2018: £1.3k)

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 £1.8m on qualifying expenditure of £5.4m. The Group expects to claim around £1.6m in income tax credits on qualifying expenditure of £4.6m for research and development for the year ended 31 December 2019.

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 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.

Directors' Report

Year ended 31 December 2019

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 February 2019, the Group's Parent company initiated a series E investment round generating \$75.5m dollars of equity funding which was extended by \$22.5m in October 2019. 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.

Going concern

The Group meets its day-to-day working capital requirements using cash in hand. The Group's parent company raised \$97.5m through its Series E round in 2019, of which, £57.8m, has been invested into the Group as of the date of this report.

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 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 and therefore eliminates 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 December 2021.

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.

Post balance sheet events

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. As disclosed within 'Principal Risks and Uncertainties' above, Management is closely monitoring the evolution of this pandemic, including how it may affect the Company and the wider Group.

As at 31 December 2019 China had alerted the WHO of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (COVID-19) only came to light in early 2020. Therefore, the Directors have concluded that this outbreak is a non-adjusting post balance sheet event and as such no adjustments have been made in relation to the potential impact on the measurement of assets and liabilities reported as at 31 December 2019. The Directors are of the view that it is too early to determine the full financial impact of these events however they do not believe the pandemic has led to a material impairment of the Balance Sheet. The Directors remain confident that the strong liquidity position of the Group provides assurance that the entity remains a going concern.

On April 14th 2020, HMRC confirmed the payment services provided by the Group were no longer VAT exempt in the UK. HMRC subsequently confirmed there was no historical liability for VAT prior to this date. Merchants have been charged VAT for services since September 1st 2020. Between April 14th 2020 and September 1st 2020 the Group bore the cost of VAT for these services.

Directors' Report

Year ended 31 December 2019

On July 24th 2020 the Group secured a Term loan of £15M from Silicon Valley Bank. This will be repaid over 4 years.

Directors

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

Hiroki Takeuchi
Matthew Robinson
Timothy Bunting
Martin Gibson
Stephen Chandler

Disclosure of information to Auditor


In the case of each Director in office at the date the Directors' Report is approved:

- a) So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware;
and
- b) The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

Independent Auditor

The auditors, Grant Thornton UK LLP are expected to be reappointed by resolution of the shareholders at the general meeting.

On behalf of the Board

DocuSigned by:

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Hiroki Takeuchi
Director
6 October 2020

Independent auditor's report to the members of GoCardless Limited

Year ended 31 December 2019

Independent auditor's report to the members of GoCardless Limited

Opinion

We have audited the financial statements of GoCardless Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise comprises the consolidated income statement, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, Parent company statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business, including effects arising from Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated Financial Statements, other than the financial statements and our auditor's report thereon.

Independent auditor's report to the members of GoCardless Limited

Year ended 31 December 2019

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent auditor's report to the members of GoCardless Limited

Year ended 31 December 2019

DocuSigned by:

Nicholas Watson

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Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
6th October 2020

GoCardless Limited
Consolidated income statement
Year ended 31 December 2019

		12 month Year ended 31 Dec 2019	12 month Year ended 31 Dec 2018 Restated
Continuing operations	Notes	£	£
Turnover	7	29,295,250	20,133,200
Cost of sales	9	(6,888,638)	(5,039,322)
Gross profit		22,406,612	15,093,878
Administrative expenses	9	(46,465,054)	(28,057,541)
Impairment on financial assets	18	(2,696,326)	(162,810)
Operating loss before depreciation		(26,754,768)	(13,126,473)
Depreciation	15&16	(1,663,741)	(1,681,712)
Amortisation	17	(182,402)	3,607
Operating loss before interest and taxes		(28,600,911)	(14,808,185)
Foreign exchange		153,109	-
Interest payable and similar charges	11	(956,307)	(1,052,760)
Interest receivable	11	41,408	247
Loss on ordinary activities before taxation		(29,362,701)	(15,864,305)
Income tax expense	14	(29,213)	(11,233)
Income tax credit	14	2,101,979	1,344,000
Loss for the financial year		(27,289,935)	(14,531,538)
EBITDA		(26,754,768)	(13,126,473)

Consolidated statement of comprehensive income
Year ended 31 December 2019

		12 month Year ended 31 Dec 2019	12 month Year ended 31 Dec 2018 Restated
Loss for the year		(27,289,935)	(14,531,538)
Foreign currency translation reserve		(12,687)	-
Total comprehensive loss attributable to equity holders		(27,302,622)	(14,531,538)

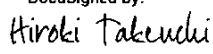
GoCardless Limited
Consolidated statement of financial position
Year ended 31 December 2019

	Notes	At 31 Dec 2019	At 31 Dec 2018 Restated	At 31 Dec 2017 Restated
		£	£	£
Non-current assets				
Property, plant and equipment	15	2,806,372	2,752,899	1,322,150
Intangible assets	17	897,022	750,000	-
Other receivables: amounts over one year	18	3,220,282	1,390,400	1,390,406
Property Lease	16	8,013,334	9,058,552	10,277,972
		14,937,010	13,951,851	12,990,528
Current assets				
Trade and other receivables	18	9,412,202	5,202,858	3,744,227
Cash at bank and in hand	19	19,818,482	2,576,413	4,532,104
Parent Company Loan	6	14,359,033	-	-
Settlement bank account	4	37,109,074	-	-
		80,698,791	7,779,271	8,276,331
Current liabilities: amounts falling due within one year				
Trade and other creditors	20	(7,839,998)	(4,166,449)	(1,771,215)
Short-term borrowings	21	-	-	(786,742)
Property Lease Liability	16	(1,081,388)	(316,638)	-
Settlement account liability	5	(37,109,074)	-	-
		(46,030,460)	(4,483,087)	(2,557,957)
Net current assets		34,668,331	3,296,184	5,718,374
Non-current liabilities: amounts falling due after more than one year				
Prepaid income		-	(105,273)	(206,081)
Long-term borrowings	21	(2,000,000)	(2,000,000)	-
Property Lease Liability	16	(7,971,139)	(9,338,783)	(10,327,942)
Parent company loan	6	-	(3,810,000)	-
		(9,971,139)	(15,254,056)	(10,534,023)
Total liabilities		(56,001,599)	(19,737,144)	(13,091,980)
Net assets		39,634,202	1,993,978	8,174,879
Capital and reserves				
Called-up equity share capital	22	95,073,388	31,381,257	24,531,257
Other reserves	22	4,671,008	3,420,293	1,919,657
Foreign currency translation reserve	22	(12,687)	-	-
Retained earnings		(60,097,507)	(32,807,572)	(18,276,035)
Shareholders' funds		39,634,202	1,993,978	8,174,879

The accompanying accounting policies and notes (pages 21-52) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 6 October 2020.

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
Year ended 31 December 2019

	Note	At 31 Dec 2019 £	At 31 Dec 2018 £
Cashflows from operating activities			
Net loss		(27,289,935)	(14,531,538)
Adjustments for:			
Depreciation of property, plant and equipment	15	618,525	462,291
Amortisation of intangible assets	17	182,402	-
Loss on disposal of property, plant and equipment	15	-	3,369
Property Lease depreciation	16	1,045,216	1,219,421
Share options expense	22	1,250,715	1,337,771
Finance costs	11	914,899	1,052,513
Changes in working capital:			
Increase in trade and other debtors	18	(4,209,344)	(1,458,631)
Increase in debtors over 1 year	18	(1,829,882)	6
Increase in trade and other payables	20	3,673,549	2,398,497
Prepaid income		(105,273)	(100,808)
Cash used in operations		(25,749,128)	(9,617,109)
Cash flows from investing activities			
Additions to property, plant and equipment	15	(671,998)	(1,899,671)
Additions to intangible assets	17	(329,423)	(750,000)
Advance of Intercompany Loan	6	(14,359,033)	-
Net cash used in investing activities		(15,360,454)	(2,649,671)
Cash from financing activities			
Finance costs paid	11	(378,470)	(295,007)
Finance costs received	11	41,408	247
Property lease capital repayment	16	(602,894)	(672,521)
Property lease interest expense		(577,837)	(594,888)
Repayment of borrowings	21	-	(786,742)
Additional borrowings	21	-	2,000,000
Drawdown of Intercompany Loan	21	-	3,810,000
Repayment of Intercompany Loan	21	(3,810,000)	-
Proceeds from share related transactions	22	63,692,131	6,850,000
Net cash from financing activities		58,364,340	10,311,088
Net increase in cash and cash equivalents		17,254,758	(1,955,691)
Foreign exchange		(12,689)	-
Cash and equivalents opening balance	19	2,576,413	4,532,104
Cash and cash equivalents ending balance	19	19,818,482	2,576,413

The statement of cash flows does not include cash flows relating to the Settlement accounts.

The accompanying accounting policies and notes (pages 21-52) form part of these financial statements.

GoCardless Limited
Consolidated statement of equity
Year ended 31 December 2019

	Note	Share capital £	Other reserves £	Foreign currency reserves £	Accumulated losses £	Total Equity £
Balance at 1 January 2018 restated	22	24,531,257	1,919,657	-	(18,276,035)	8,174,879
Comprehensive expense						
Loss for the period		-	-	-	(14,531,537)	(14,531,537)
Total comprehensive expense		-	-	-	(14,531,537)	(14,531,537)
Transactions with owners						
Share based payments	22	-	1,500,636	-	-	1,500,636
Shares allotted	22	6,850,000	-	-	-	6,850,000
Total transactions with owners		6,850,000	1,500,636	-	-	8,350,636
Balance at 1 January 2019 restated		31,381,257	3,420,293	-	(32,807,572)	1,993,978
Comprehensive expense						
Loss for the period		-	-	(12,687)	(27,289,935)	(27,302,622)
Total comprehensive expense		-	-	(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

The accompanying accounting policies and notes (pages 21-52) form part of these financial statements.


GoCardless Limited
Statement of financial position
Year ended 31 December 2019

	Notes	At 31 Dec 2019 £	At 31 Dec 2018 Restated £	At 31 Dec 2017 Restated £
Non-current assets				
Property, plant and equipment	15	2,773,540	2,741,361	1,322,150
Intangible assets	17	897,022	750,000	-
Other receivables: amounts over one year	18	3,185,832	1,380,513	1,390,406
Property Lease	16	8,013,334	9,058,552	10,277,972
Investments		5,165,022	25,850	-
		20,034,750	13,956,276	12,990,528
Current assets				
Trade and other receivables	18	11,914,669	5,162,958	3,744,227
Cash at bank and in hand	19	15,160,679	2,564,483	4,532,104
Parent company loan	6	14,359,033	-	-
Settlement Bank account	4	37,109,074	-	-
		78,543,455	7,727,441	8,276,331
Current liabilities: amounts falling due within one year				
Trade and other creditors	20	(11,403,720)	(4,131,282)	(1,862,955)
Short-term borrowings	21	-	-	(786,742)
Property Lease Liability	16	(1,081,388)	(316,638)	-
Settlement account liability	5	(37,109,074)	-	-
		(49,594,182)	(4,447,920)	(2,649,697)
Net current assets		28,949,273	3,279,521	5,626,634
Non-current liabilities: amounts falling due after more than one year				
Prepaid income		-	(105,273)	(206,081)
Long-term borrowings	20	(2,000,000)	(2,000,000)	-
Property Lease Liability	16	(7,971,139)	(9,338,783)	(10,327,942)
Parent company loan	6	-	(3,810,000)	-
		(9,971,139)	(15,254,056)	(10,534,023)
Total liabilities		(59,565,321)	(19,701,976)	(13,183,720)
Net assets		39,012,884	1,981,741	8,083,139
Capital and reserves				
Called-up equity share capital	22	95,073,388	31,380,364	24,531,257
Other reserves	22	4,671,008	3,425,337	1,919,657
Retained earnings		(60,731,512)	(32,823,960)	(18,367,775)
Shareholders' funds		39,012,884	1,981,741	8,083,139

The accompanying accounting policies and notes (pages 21-52) form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 6 October 2020.

Signed on behalf of the Board by:

DocuSigned by:

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Hiroki Takeuchi
 Director
 Company number 07495895

GoCardless Limited

Notes to the financial statements

Year ended 31 December 2019

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”. The Group’s financial year starts on 1 January and ends on 31 December and 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

The financial statements of the Group have been prepared in accordance with IFRSs as adopted by the European Union, IFRS Interpretations Committee (“IFRS IC”) interpretations and the Companies Act 2006 applicable to the companies reporting under IFRSs.

These financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company and are on a consolidated basis to include the results of all Subsidiary and Branch companies within the Group.

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 \$97.5m through its Series E round in 2019, of which, £57.8m, has been invested into the Group as of the date of this report.

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 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 and therefore eliminates 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 December 2021.

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.

Changes in accounting policy and disclosures

IFRS 16 Leases

The Standard assesses the use of off-balance sheet leases, bringing most lessee leases on-balance sheet and eliminating the distinction between operating and finance leases, leaving lessor accounting largely unchanged. The Standard is effective for periods beginning on or after 1 January 2019. The Group has assessed the nature of its lease obligations and has identified

that the lease for the office at Sutton Yard falls within the scope of IFRS 16 in 2019, as the lease provides the right to control the use of an identified asset on a long-term basis.

A right-of-use asset has been recognised in the 2019 financial statements along with a lease liability, measured at the present value of the future lease payments discounted using the Group’s incremental borrowing rate.

The lease liability has been adjusted for interest and lease payments (financing costs), whilst the right-of-use asset has been amortised over the lease term (depreciation expense).

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019**

As such the Group has an improved EBIT and EBITDA performance in 2019, as a direct result only of the application of IFRS 16 and its allocation to the Sutton Yard office lease. The full retrospective approach of IFRS 16 has been adopted for transition.

The impact of the adoption of IFRS 16 on the financial statements is provided in Note 3.

There has not been any material impact of the Groups financial statements in relation to the following standards

Interpretation 22 Foreign Currency Transactions and Advance Considerations

The standard clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The Group records transactions using a daily exchange rate for when the expense or income occurs.

There has not been any material impact of the Groups financial statements in relation to the following standards.

Annual Improvements 2015-2017 cycle

The issues are effective for accounting periods beginning on or after 1 July 2019. There has not been any material impact to the Group's 2019 financial statements as a result of the amendment to this standard.

Interpretation 23 Uncertainty over income tax treatments

IFRIC clarifies the application of IAS12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. There was no significant effect from the adoption of IFRIC 23 in relation to accounting for uncertain tax positions.

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 17 for additional information.

(b) Allowance for unrecoverable chargeback funds

The Group records a provision for collectability of merchant customer chargebacks based on historical data and current transaction and payment volume levels. The Group provides fully for unrecoverable chargebacks arising in the period and as recorded in the Group's operating systems. In prior periods the Group recorded a provision for unrecoverable chargebacks based on historic trends and as a percentage of turnover .

(c) R&D tax credit claim

The Group records an estimated provision for R&D tax credits based on the allocation of staff costs to each applicable project that meets the R&D recognition criteria.

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 software and its access to direct debit schemes. The Group considers that its performance

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019**

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.

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 expense 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. Cost 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. Cost 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 financial statements****Year ended 31 December 2019**

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 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 good and services have been provided.

Leases

IFRS 16 became effective for the Group for the financial period commencing 1 January 2019, replacing the existing lease accounting standard IAS 17. The adaption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating 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 new Standard has been applied using the full retrospective approach and therefore 2018 and 2017 numbers have been restated to reflect this. 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 initial application, being 17 October 2017 which is the start of the lease.

The Group have assessed their leases and have identified the lease of the Sutton Yard London office is a Right of Use asset as determined by IFRS16. Prior to the adoption of IFRS 16 the group accounted for these leases as operating leases, with rentals payable charged to the income statement on a straight-line basis as an operating expense. Under the new standard, the Group recognises additional lease assets and lease liabilities on the statement of financial position to account for the right to use the leased items and the obligation to make future lease payments.

Therefore, this is no longer treated as an expense. Rather this has been identified as an asset from the time the lease began. The lease liability will be settled over the term of the lease which is 10 years.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.0%.

Fair value of borrowings with convertible warrants

The loan and warrant options are recognised if the Company becomes a party to the contractual provisions of the loan agreement. The warrant options entered into in relation to the loan agreement between the Company and Kreos Capital and SVB relate to financial instruments within the Company's parent company. On initial recognition, loans are measured at fair value being the principle received less the fair value of the warrant options. The fair value of the warrant options is amortised over the life of the loan and is accounted for as additional interest expense and charged to the income statement. Additionally, the fair value of the warrant options has been accounted for as additional investment in the Company by the parent company.

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.

GoCardless Limited

Notes to the financial statements

Year ended 31 December 2019

No deferred income tax has been recognised in 2019 (2018: 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 issue by the Group's Parent Company on behalf of the Group resulting in additional investment in the Group.

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, as well as through the amortisation process.

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, prevent any economic benefit from being derived from funds held in the Settlement accounts.

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.

GoCardless Limited

Notes to the financial statements

Year ended 31 December 2019

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.

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.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****3. Restatement of 2018**

During the year an error was identified on the charge for EMI options in relation to the 2017 opening reserve balances due to incorrect spreading of the charge over the vesting periods. This has resulted in the 2017 other reserves balances being restated. There is an additional restatement due to the retrospective application of IFRS 16. The adjustments are outlined in the tables below.

		£
Retained Earnings	31 December 2017 previously reported	(17,017,458)
	Share Based Payment amendment	(1,300,347)
	Reversal of rent costs (IFRS 16)	240,820
	Depreciation charge Right of Use Asset (IFRS 16)	(174,203)
	Interest charge Right of Use Asset (IFRS 16)	(24,847)
Retained Earnings	31 December 2017 restated	(18,276,035)
Retained Earnings	31 December 2018 previously reported	(31,314,681)
	Reversal of rent costs (IFRS 16)	1,579,994
	Depreciation charge Right of Use Asset (IFRS 16)	(1,219,420)
	Interest charge Right of Use Asset (IFRS 16)	(594,888)
	2017 adjustments	(1,258,577)
Retained Earnings	31 December 2018 restated	<u>(32,807,572)</u>

		2018 £
Other Reserves	31 December 2017 previously reported	619,310
	Share Based Payment amendment	<u>1,300,347</u>
Other Reserves	31 December 2017 restated	<u>1,919,657</u>

IFRS 16 Right of Use asset recognition

	Lease inception	31 December 2017	2018 Recognition	31 December 2018
	£	£	£	£
Property Lease	(10,452,175)	(10,277,972)	1,219,420	(9,058,552)
Property Lease Liability	10,452,175	10,327,942	(672,521)	9,655,421
	-	49,970	546,899	596,869

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019**

		2018
		£
Other financial liabilities	31 December 2018 previously reported	(733,453)
	Deferred rent reversal (IFRS 16)	628,180
Other financial liabilities	31 December 2018 restated	<u>(105,273)</u>
		2018
		£
Prepayments (Other receivables)	31 December 2018 previously reported	1,298,027
	Prepayment reversal (IFRS 16)	(223,855)
Prepayments (Other receivables)	31 December 2018 restated	<u>1,074,172</u>

4. Settlement Account

During October 2019, the Group implemented additional safeguarding controls for client funds processed using the BACS and SEPA direct debit schemes. Before 22 October 2019 funds were collected from customers into a single client monies account per scheme. Payouts to merchants were made from these client monies accounts, following the deduction of any fees due to the Group. Since 22 October 2019, payments are now collected from customers 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. At present there have been no changes to other payment schemes and collections from customers and payouts to merchants are received into and paid out from a single client monies account per scheme.

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

	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>

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.

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

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.

GoCardless Limited

Notes to the financial statements

Year ended 31 December 2019

Risk management is led by senior management whom 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 18 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 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.

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. Unsuccessful transactions

The Group has implemented certain fraud and compliance checks that require appropriate checks on specific 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 (2019: £2.29m, Dec 2018: £438k). 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.

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 owing 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.

For amounts receivables from merchants, such provisions are recorded in separate provision accounts with the loss being recognised within impairment losses on financial assets in the consolidated statement of comprehensive income.

The impairment provision for unsuccessful transactions has increased during 2019 as efforts have been carried out during the year to review merchant balances and identify where a loss has occurred. This has enabled the Group to provide for financial loss more accurately using historical activity as the basis. The Group are satisfied the impairment held for failed payments is sufficient. The Group have reviewed chargebacks which have occurred in 2020 and they are consistent with the 2019 provision, even in light of the COVID-19 pandemic. The Group have also reviewed the 2019 failed payment balance as at 31 December 2019 and the majority of the unprovided year end balance was recovered within one month.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****6. Financial risk management (cont.)**

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 consider "low credit risk" for these to be 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 £19.8m, all of which is held with reputable banks with high credit ratings. The Group did not incur any losses during 2019 as a result of banking failures.

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

Financial assets	31 December 2019	31 December 2018
	£	£
Cash and cash equivalents	19,818,482	2,576,413
Deposits	3,220,282	1,374,121
Amounts owed from Parent	14,359,033	-
Trade receivables	2,415,118	2,151,371
Tax receivables	3,446,223	2,259,000
Total financial assets	43,259,138	8,360,905

Financial liabilities	31 December 2019	31 December 2018
	£	£
Borrowings	2,000,000	2,000,000
Parent company loan	-	3,810,000
Trade payables	1,345,985	710,456
Other financial liabilities	750,000	750,000
Total financial assets	4,095,985	7,270,456

Maturity Analysis

The Group maintained one long-term debt facility at 31 December 2019, partially drawn upon. 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

At 31 December 2019	Less than 1 year (£)	Between 2 and 5 years (£)
Security deposits	34,450	3,185,832
Cash	19,818,482	-
Parent company loan	14,359,033	-
Trade receivables	2,415,118	-
Tax receivable	3,446,223	-
Total	40,073,306	3,185,832

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****6. Financial risk management (cont.)**

The parent company loan is immediately repayable upon request. In 2018 the parent company loan was an amount payable,

At 31 December 2018	Less than 1 year (£)	Between 2 and 5 years (£)
Security deposits	41,035	1,333,086
Cash	2,576,413	-
Parent company loan	-	-
Trade receivables	2,151,371	-
Tax receivable	2,259,000	-
Total	7,027,819	1,333,086

Financial liabilities

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

At 31 December 2018	Less than 1 year (£)	Between 2 and 5 years (£)
Loans	-	2,000,000
Parent company loan	3,810,000	-
Trade payables	710,456	-
Other financial liabilities	750,000	-
Total	5,270,456	2,000,000

The parent company loan is immediately repayable upon request.

*(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 receipted and all fees are charged in that currency. The Group's cash and cash equivalents balance not denominated in GBP at Dec 2019 were £8.7m (Dec 2018: £721k). 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.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****6. Financial risk management (cont.)**

	£'000	-5%		+5%	
Assets:	Carrying value	Profit	Equity	Profit	Equity
Cash and cash equivalents- held in foreign currencies					
Held in EUR	8,213	(411)	(411)	411	411
Held in USD	247	(12)	(12)	12	12
Held in AUD	157	(8)	(8)	8	8
Held in other foreign currencies	83	(4)	(4)	4	4
Total increase/(decrease)	8,700	(435)	(435)	435	435

Interest rate risk

Changes in interest rates do affect the Group's obligation, as the borrowing rate is based on the Bank rate, however any change is not expected to have a material impact.

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 32% as at 31 December 2019, a decrease from 1,084% as at 31 December 2018. 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 are 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 2019 was submitted in February 2020 and showed the Group had headroom of €35.6m.

7. Revenue

All revenue relates to transactions generated in the United Kingdom, the rest of Europe and APAC as highlighted below. Revenues for the twelve-month period-ended 31 Dec 2019 were £29.3M (Dec 2018: £20.13m).

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.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****7. Revenue (cont.)**

Aggregate revenue split by geographical location:

	Year Ended 31 December 2019	Year Ended 31 December 2018
Country	(£000)	(£000)
United Kingdom	24,931	17,700
France	2,157	1,400
Germany	667	360
Spain	456	250
Ireland	336	200
Sweden	110	75
Other	638	148
	<u>29,295</u>	<u>20,133</u>

	Year Ended 31 December 2019	Year Ended 31 December 2018
	(£000)	(£000)
Variable revenue	23,611	17,583
Contract revenue	5,684	2,550
	<u>29,295</u>	<u>20,133</u>

8. Costs of obtaining contract assets

	Year ended 31 December 2019
	£
Cost to obtain contracts with customers during the period	1,405,517
Amortisation of cost to obtain contract assets in line with contract performance	<u>(381,093)</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.

Although IFRS 15 was effective from January 1st 2018, the Group chose not to capitalise the cost to obtain contract assets as it was considered immaterial.

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Current cost to obtain contract assets	659,822	-
Non-current cost to obtain contract assets	364,602	-
	<u>1,024,424</u>	<u>-</u>

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****9. Expenses by nature**

	Year ended 31 December 2019 £	Year ended 31 December 2018 Restated £
Direct costs	6,888,638	5,039,322
Administrative expenses		
Operating lease payments - accommodation	441,142	259,130
Foreign exchange (gains)/losses	-	-
Employee expenditure	30,803,076	14,857,513
Research & Development	4,578,065	5,399,336
Marketing and customer acquisition costs	3,545,346	1,676,260
Professional fees	2,027,431	1,458,230
Share based options expense	1,250,715	1,337,771
Other expenses	3,819,279	3,069,301
Total administrative expenses	46,465,054	28,057,541
Total cost of sales and administrative expenses	53,353,692	33,096,863

10. Auditor remuneration

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Fees payable to the Company's auditors for the audit of the Company	154,313	60,200
Fees payable to the Company's auditors for other services:		
- Tax advisory services	96,472	28,150
- Fees payable for other services	-	750
Total Auditor Remuneration	250,785	89,100

GoCardless Limited
Notes to the financial statements
Year ended 31 December 2019

11. Finance income and costs

	Year ended 31 December 2019	Year ended 31 December 2018 Restated
	£	£
Term loan interest	161,782	128,188
Loan warrant costs	-	162,865
Loan financing costs	215,997	161,140
Finance lease costs	577,837	594,888
Other interest	691	5,679
Total finance costs	956,307	1,052,760
Interest income	(41,408)	(247)
Net finance costs	914,899	1,052,513

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

Cashflow Analysis

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Term loan interest	161,782	128,188
Loan financing costs	215,997	161,140
Other interest	691	5,679
Total finance costs	378,470	295,007
Interest income	(41,408)	(247)
Net finance costs	337,062	294,760

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****12. Directors' emoluments and employees****(a) Employee benefit expense**

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Employee costs during the year (including directors)		
Wages and salaries	30,207,254	17,447,495
Social security costs	4,337,469	2,292,079
Share based payments	1,250,715	1,337,771
Other pension costs	836,418	517,276
Total	36,631,856	21,594,621

(b) Average number of people employed

	Year ended 31 December 2019	Year ended 31 December 2018
	Number	Number
Average number of people employed during the year (including directors)		
Sales and marketing	86	70
Operational	236	150
Total	322	220

(c) Directors' emoluments and key management compensation

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Directors' emoluments		
Wages and salaries	181,400	184,500
Social security costs	30,054	30,167
Aggregate emoluments	211,454	214,667

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Highest paid director		
Wages and salaries	179,400	182,500
Social security costs	29,813	29,927
Aggregate emoluments	209,213	212,427

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 year 1 Director (2018: 0 Directors) exercised share options which have vested.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****13. Pension Scheme**

The Group operates a contribution scheme for which the pension cost charges for the period amounted to £836,387 (Dec 2018: £517,276). As at 31 December 2019 £186,373 has been included in the trade and other payables for contributions (Dec 2018: £103,191) to be paid over.

14. Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Current tax		
UK corporation tax at 19%		-
Prior year adjustment	510,353	-
R&D Tax credit 2018	-	1,344,000
R&D Tax credit 2019	1,591,870	-
Foreign tax	(29,457)	(11,233)
Total tax credit/(expense)	2,072,766	1,332,767
	31 December 2019	31 December 2018
	£	£
Deferred tax		
Origination/reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax credit/(expense)	nil	nil
Income tax credit/(expense)	2,072,766	1,332,767

Reconciliation of the total tax charge:

The 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 2019 (19% in 2018). The differences are reconciled below.

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Loss on ordinary activities before taxation	29,362,701	15,864,305
Accounting loss multiplied by the UK standard corporation tax of 19%	5,578,913	3,014,218
Effects of:		
Fixed asset differences	(25,227)	(29,516)
Expenses not deductible for tax purposes	(311,458)	(278,052)
Income not deductible for tax purposes	1,999	-
Adjustments to brought forward values	27,089	-
Other permanent differences	618,589	64,350
Impact of R&D tax relief ("Super deduction")	1,178,987	995,406
Surrender of tax losses for R&D tax credit refund	(494,029)	(417,104)
Adjustments to tax charge in respect of previous periods	510,353	-
Adjust closing deferred tax to average rate of 19%	(955,751)	(440,110)
Adjust opening deferred tax to average rate of 19%	409,373	233,272
Difference in tax rates	91,228	-
Deferred tax not recognised	(4,557,300)	(1,809,697)
Total tax credit/(expense)	2,072,766	1,332,767

Unused tax losses for which no deferred tax asset has been recognised in the balance sheet at 31 December 2019 are £47.4m (31 December 2018: 20.9m)

Unused tax credits for which no deferred tax asset has been recognised in the balance sheet at 31 December 2019 are £352.153 (31 December 2018: (£394,075))

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****15. Property, plant and equipment Consolidated**

	Furniture & Fixtures £	Office Equipment £	Leasehold Improvement £	Total £
Cost				
At 1 Jan 2018	212,075	640,763	730,859	1,583,697
Additions	268,356	649,279	982,036	1,899,671
Disposals	(299)	(17,393)	-	(17,692)
At 31 December 2018	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
Accumulated Depreciation				
At 1 Jan 2018	11,414	153,222	96,909	261,545
Charge for period	40,160	266,785	155,346	462,291
Disposals/reclassification	-	(9,058)	(2,001)	(11,059)
At 31 December 2018	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
Net book value				
At 31 December 2019	551,999	904,933	1,349,440	2,806,372
At 31 December 2018	428,558	861,700	1,462,641	2,752,899

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****15. Property, plant and equipment GoCardless Limited**

	Furniture & Fixtures	Office Equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 Jan 2018	212,075	640,763	730,859	1,583,697
Additions	266,847	638,082	982,036	1,886,965
Disposals	(299)	(17,391)	-	(17,690)
At 31 December 2018	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
Accumulated Depreciation				
At 1 Jan 2018	11,415	153,222	96,909	261,546
Charge for period	40,082	265,696	156,284	462,062
Disposals/reclassification	-	(9,058)	(2,939)	(11,997)
At 31 December 2018	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
Net book value				
At 31 December 2019	547,496	876,604	1,349,440	2,773,540
At 31 December 2018	427,126	851,594	1,462,641	2,741,361

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****16. Lease liability**

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 or yet to start.

	31 December 2019	31 December 2018 (Restated)
	£	£
Cash outflow	894,475	1,043,555
Interest expense	(577,837)	(594,888)
Capital repayment	<u>316,638</u>	448,667

	31 December 2019	31 December 2018 (Restated)
	£	£
Opening lease balance	9,655,421	10,327,942
Capital repayment	(316,639)	(448,666)
Prepaid expense	(286,255)	(223,855)
Closing lease value	<u>9,052,527</u>	9,655,421

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

	31 December 2019	31 December 2018 (Restated)
	£	£
Opening Right of Use asset value	9,058,552	10,277,972
Depreciation charge	(1,045,218)	(1,219,420)
Additions	-	-
Closing Right of Use asset value	<u>8,013,334</u>	9,058,552

Maturity Analysis

	31 December 2019	31 December 2018
	£	£
Within 1 year	1,081,388	316,638
2 - 5 years	3,935,319	4,287,716
5 years +	4,035,820	5,051,067
	<u>9,052,527</u>	<u>9,655,421</u>

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019**

17. Intangible Assets Consolidated and GoCardless Limited

	Intangible Assets
	£
Cost	
At 31 December 2018	750,000
Additions	329,423
Disposals/reclassification	-
At 31 December 2019	1,079,423
Accumulated Amortisation	
At 31 December 2018	-
Charge for period	182,401
Disposals/reclassification	-
At 31 December 2019	182,401
Net book value	
At 31 December 2019	897,022
At 31 December 2018	750,000

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****18. Trade and other receivables Consolidated**

	31 December 2019	31 December 2018
Trade receivables	£	£
Current trade receivables (less than 30 days)- net	1,696,359	1,611,389
30-90 day overdue trade receivables - net	556,339	471,130
90 day+ overdue trade receivables - net	162,420	68,852
Total trade receivables	2,415,118	2,151,371
Bad debt provision		
Current trade receivables (less than 30 days)- net	(57,604)	-
30-90 day overdue trade receivables – net	(67,085)	(14,263)
90 day+ overdue trade receivables – net	(141,627)	(64,660)
Total bad debt provision	(266,316)	(78,923)
Other receivables		
Tax receivable	3,446,223	2,259,000
Prepayments	2,859,416	1,074,172
Amounts due from merchants	3,647,891	273,058
Failed payments provision	(889,050)	(559,426)
Fraud loss provision	(2,179,309)	-
Other debtors	378,229	83,607
Total other receivables	7,263,400	3,130,410
Rental deposits	929,869	916,454
Security deposits	2,290,413	457,667
Other receivables (over one year)	-	16,279
Other receivables: amounts over one year	3,220,282	1,390,400
Total trade and other receivables	12,632,484	6,593,258

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

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 negatives 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 balances although no amounts have been recovered during the year.

	31 December 2019	31 December 2018
Failed payments provision	£	£
Opening provision	559,426	194,947
Additional provision	329,624	555,110
Amounts used	-	(190,631)
Closing provision	889,050	559,426

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****18. Trade and other receivables Consolidated (cont.)**

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

	31 December 2019	31 December 2018
	£	£
Fraud loss provision		
Opening provision	-	-
Additional provision	2,179,309	-
Closing provision at 31 December 2019	2,179,309	-

18. Trade and other receivables GoCardless Limited

	31 December 2019	31 December 2018
	£	£
Trade receivables		
Current trade receivables (less than 30 days) - net	1,696,359	1,611,389
30-90 day overdue trade receivables - net	556,339	471,130
90 day+ overdue trade receivables - net	162,420	68,852
Total trade receivables	2,415,118	2,151,371
Bad debt provision		
Current trade receivables (less than 30 days)- net	(57,604)	-
30-90 day overdue trade receivables - net	(67,085)	(14,263)
90 day+ overdue trade receivables - net	(141,627)	(64,660)
Total bad debt provision	(266,316)	(78,923)
Other receivables		
Loans to affiliate undertakings	2,913,216	-
Tax receivable	3,446,223	2,259,000
Prepayments	2,789,580	1,056,643
Amounts due from merchants	3,647,891	273,058
Failed payments provision	(889,050)	(559,426)
Fraud loss provision	(2,179,309)	-
Other debtors	37,316	61,235
Total other receivables	9,765,867	3,090,510
Rental deposits	895,419	906,567
Security deposits	2,290,413	457,667
Other receivables (over one year)	-	16,279
Other receivables: amounts over one year	3,185,832	1,380,513
Total trade and other receivables	15,100,501	6,543,471

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****19. Cash and cash equivalents Consolidated**

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Cash and cash equivalents	19,818,482	2,576,413
Total cash and cash equivalents	19,818,482	2,576,413

19. Cash and cash equivalents Gocardless Limited

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Cash and cash equivalents	15,160,179	2,564,483
Total cash and cash equivalents	15,160,179	2,564,483

20. Trade and other payables Consolidated

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Trade payables	1,345,985	710,456
Other taxation and social security	1,454,232	862,645
Other payables	1,099,103	536,099
Accrued expenses	3,190,678	1,307,249
Accrued intangible asset	750,000	750,000
Total trade and other payables	7,839,998	4,166,449

20. Trade and other payables GoCardless Limited

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Trade payables	1,288,917	723,823
Other taxation and social security	1,215,881	822,245
Loans from affiliate undertakings	4,129,316	-
Other payables	1,008,366	528,171
Accrued expenses	3,011,240	1,307,043
Accrued intangible asset	750,000	750,000
Total trade and other payables	11,403,720	4,131,282

GoCardless Limited
Notes to the financial statements
Year ended 31 December 2019

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

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Short-term borrowings	-	-
Long-term borrowings	2,000,000	5,810,000
Total borrowings	2,000,000	5,810,000

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 £3.8m drawn from the revolving facility was drawn by the Company's parent company and loaned to the Company via an intercompany loan under the same terms. This intercompany loan was repaid in May 2019. The Company drew £2m directly from the term loan facility during 2018, which remains outstanding at 31 December 2019.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****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. See description of facility terms and warrant valuation in note 15. 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.

95,073,388 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 31 December 2019.

	Number of Shares	Share Capital	Foreign Currency Translation Reserve	Other Equity Reserves	Total
		£	£	£	£
At 1 Jan 2018 restated	24,531,257	24,531,257	-	1,919,657	26,450,914
Ordinary shares	6,850,000	6,850,000	-	-	6,850,000
Share based payment reserve	-	-	-	1,500,636	1,500,636
At 31 December 2018 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	-	-	-	1,250,715	1,250,715
Foreign currency translation reserve	-	-	(12,687)	-	(12,687)
At 31 December 2019	95,073,388	95,073,388	(12,687)	4,671,008	99,731,710

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****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.

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	Black Scholes
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
Weighted average share price (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 1 years of service)
Forfeiture rate	35%

	Tranches issued within 2019	Tranches issued within 2018
	£	£
Fair value of issued share options	-	2.8305
Exercise price	-	0.225
Expected life of award	-	Four years
Volatility	-	30%
Risk/Forfeiture rate	-	35%

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****23. Share based payments (cont.)**

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:

	31 December 2019	31 December 2018
	£	£
Share Option Expense	1,166,162	1,337,771

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

	31 December 2019	31 December 2018
Exercise Price	No. of Shares	No. of Shares
At Beginning of period	7,426,459	5,072,576
Exercised	\$0.225 (1,504,202)	(529,109)
Granted	-	3,417,647
Forfeited/Cancelled	(430,823)	(534,655)
Outstanding at the end of period	\$0.225 5,491,434	7,426,459
Vested at end of period	5,438,265	4,504,114

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
Option expiration date	10 years from grant date
Weighted average share price (Fair value)	\$0.55
Option exercise price	\$7.4
Expected life of award	Four years
Vesting conditions	Time based (nil years to 4 years of service)
Forfeiture rate	41%

	Tranches issued within 2019	Tranches issued within 2018
	£	£
Fair value of issued share options	\$0.55	-
Exercise price	7.4	-
Expected life of award	Four years	-
Volatility	40%	-
Risk/Forfeiture rate	41.25%	-

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019****23. Share based payments (cont.)**

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:

	31 December 2019	31 December 2018
	£	£
Share Option Expense	84,553	-

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

		31 December 2019	31 December 2018
	Exercise Price	No. of Shares	No. of Shares
At Beginning of period		-	-
Granted	7.40	581,800	-
Forfeited/Cancelled		-	-
Outstanding at the end of period	7.40	581,800	-
Vested at end of period		-	-

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 16.

GoCardless Limited**Notes to the financial statements****Year ended 31 December 2019**

25. Related party transactions

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

	Year ended 31 December 2019	Year ended 31 December 2018
	£	£
Key Management emoluments		
Wages and salaries	2,031,727	846,270
Social security costs	328,375	140,859
Share based payments	1,418,104	323,973
Aggregate emoluments	3,778,206	1,311,102

During the period ended 31 December 2018, the Group received £36k (Dec 2018: £39k) of consulting services from "Skilled Sales Ltd.", a related party by virtue of Matt Robinson, a director of the Company, £33k of which had been settled as of 31 December 2019. During the period the Group received £2.5k from Hiroki Takeuchi, a director of the Company to repay a loan (Dec 2018: £2.5k).

At 31 December 2019 the Group had an intercompany receivable from its parent company, Groupay Inc, of £14.4m (Dec 2018: £309k). At 31 December 2019 the Group had no intercompany loan payable to its parent company, Groupay Inc (Dec 2018: £3.8m). These loans are unsecured and will be settled through cash consideration.

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

GoCardless Limited
Notes to the financial statements
Year ended 31 December 2019

26. Investments in subsidiary companies

Cost or valuation	Investments in Subsidiary Companies £
At 1 January 2019	25,850
Additions	5,140,200
At 31 December 2019	<u>5,166,050</u>
Net book value	
At 31 December 2019	5,166,050
At 31 December 2018	25,850

During the year, Gocardless Limited paid £5.14M (€6M) in cash to Gocardless SAS to increase the share capital as required under the terms of the ACPR license in France.

Direct subsidiary undertakings

The following were subsidiary undertakings of the Group:

Name	Country of incorporation	Class of Shares	Holding	Principal activity
Gocardless GmbH	Germany	Ordinary	100%	Trading Company
Gocardless SAS	France	Ordinary	100%	Trading Company
Gocardless AU	Australia	Ordinary	100%	Trading Company
Gocardless SA	South Africa	Ordinary	100%	Trading Company

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 31 December 2019 funds held in safeguarding bank accounts amounted to £52m (December 2018: £61m).

GoCardless Limited

Notes to the financial statements

Year ended 31 December 2019

29. Post financial statement events

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. As disclosed within 'Principal Risks and Uncertainties' above, Management is closely monitoring the evolution of this pandemic, including how it may affect the Company and the wider Group.

As at 31 December 2019 China had alerted the WHO of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (COVID-19) only came to light in early 2020. Therefore, the Directors have concluded that this outbreak is a non-adjusting post balance sheet event and as such no adjustments have been made in relation to the potential impact on the measurement of assets and liabilities reported as at 31 December 2019. The Directors are of the view that it is too early to determine the full financial impact of these events however they do not believe the pandemic has led to a material impairment of the Balance Sheet. The Directors remain confident that the strong liquidity position of the Group provides assurance that the entity remains a going concern.

On April 14th 2020, HMRC confirmed the payment services provided by the Group were no longer VAT exempt in the UK. HMRC subsequently confirmed there was no historical liability for VAT prior to this date. Merchants have been charged VAT for services since September 1st 2020. Between April 14th 2020 and September 1st 2020 the Group bore the cost of VAT for these services

On July 24th 2020 the Group secured a Term loan of £15m from Silicon Valley Bank. This will be repaid over 4 years.