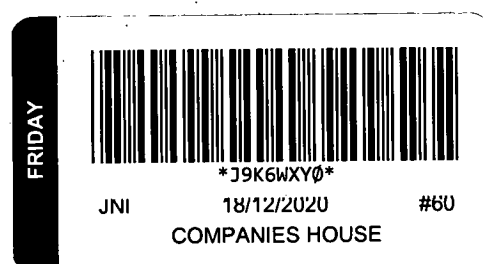




SOLDO FINANCIAL SERVICES LTD

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



SOLDO FINANCIAL SERVICES LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2019

CONTENTS	PAGE
Directors and company information	2
Strategic report	3
Directors' report	6
Directors' responsibilities statement	8
Independent auditor's report	9
Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17

SOLDO FINANCIAL SERVICES LTD

DIRECTORS AND COMPANY INFORMATION

FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company number	09495650
The board of directors	Carlo Corrado Gualandri Andrea Gerosa (Resigned 14 February 2020) Nicholas Wilson
Registered office	119 Marylebone Road C/O Wework London NW1 5PU
Auditor	Grant Thornton Chartered Accountants & Statutory Auditors 13-18 City Quay Dublin 2
Bankers	Barclays Bank UK Plc Leicester, Leicestershire LE87 2BB United Kingdom Intesa Luxembourg 14 – 21 Boulevard Prince Henri 1724 Luxembourg Intesa Sanpaolo S.p.A. Piazza San Carlo, 156 10121 Torino Italy
Solicitors	Russell-Cooke Solicitors 8 Bedford Row London, WC1R 4BU United Kingdom

SOLDO FINANCIAL SERVICES LTD

STRATEGIC REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

PRINCIPAL ACTIVITIES

Soldo Financial Services Ltd (The 'Company') was registered and incorporated in the England and Wales on 18 March 2015 and is authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011 (FRN: 900459). As an Electronic Money institution, the Company's main business is to issue e-wallet and prepaid cards through Europe (EEA states). The Company obtained re-authorisation under PSDII on 30 April 2018.

The Company provides its services directly to consumer and SME's in different markets in Europe (EEA) and has all necessary passporting rights in place to perform business activities out of the UK into all EEA states.

BUSINESS REVIEW

The Company is committed towards providing financial services solutions to businesses in a simple and effective way of managing their spending through greater visibility and control over business expenses. The Company particularly plays a role in this mission as a regulated e-money institution through issuance of e-money and prepaid cards that allow customers to transact and execute payments seamlessly on the Company's financial platform.

During the year ended 31 December 2019, the Company generated total financial services revenues amounting to £4,191,085, which is 194% higher than the previous year revenues of £1,426,168. Such significant increase can be primarily attributed to interchange revenues, which grew by 224% from £1,066,239 in the previous year ended 31 December 2018 to £3,456,993 for the year ended 31 December 2019. Other revenue streams, namely, FX mark-up revenues, currency exchange revenues, ATM revenues, cash and card load revenues, subscription revenues and card issuing revenues in the aggregate have doubled from £350,139 in the previous year ended to £721,951 in 2019.

The growth in revenues is in direct correlation with the increase in the Company's clientbase in 2019. This expanded clientbase was a result of a more targeted and direct sales approach for corporate customers.

FUTURE DEVELOPMENTS

The Company plans to continue its present activities and accelerate business growth by optimizing acquisition focus on the business SMEs program and scale up operations and marketing.

PRINCIPAL RISK AND UNCERTAINTIES

As at the year-end date, the Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, strategic risk, capital risk, financial crime risk, compliance risk, information technology risk and economic risk. The Company has adequate procedures in place to monitor these risks and seeks to limit the adverse effects on the financial performance of the Company. The Directors monitor the Company's financial risk management and oversee its internal control procedure.

SOLDO FINANCIAL SERVICES LTD

STRATEGIC REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

The principal risks facing the Company are:

Credit risk

The amount of exposure to any individual counterparty is monitored and assessed on a case by case basis. The credit risk is primarily in relation to the Company's bank balances.

Liquidity risk

The Company maintains cash reserves ensuring it has sufficient amounts available to meet its debts as they fall due. These are monitored at a company and wider group level.

Strategic risk

The Company is dealing with competitive pressure as new entrants come into the market forcing the Company to stay ahead of the curve in terms of product and price proposition.

Capital risk

This is the risk that the business has insufficient capital resources to meet the operational capital requirements and to absorb the expected losses generated by its high growth business plans, and unexpected losses if any were to occur.

Financial crime risk

As a financial services provider, the Company is subject to heightened risks of criminal activity and money laundering. In order to mitigate these types of risks, the Company has robust know-your-customer ('KYC') and anti-money laundering ('AML') procedures in place, including ongoing transactions monitoring, and has invested heavily to address these risks from its inception.

Compliance risk

The Company operates in an industry subject to extensive and comprehensive regulation. As a result, it is exposed to various regulatory and compliance risks which could cause customer harm, financial losses or reputational damage.

Information technology risk

This is associated with system interruptions of its own or of its partners, for example if the card processing partner fails.

Economic risk

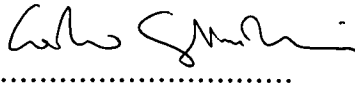
Due to the recent outbreak of the Coronavirus (COVID-19), our operations in the local market as well as in foreign countries expose us to certain risks inherent in doing business, which may adversely affect our business, results of operations or financial condition. Uncertainty about global economic conditions due to the Coronavirus could result in difficulties providing services, unemployment, negative financial news and/or declines in income or asset values. At this point, the extent to which the coronavirus may impact our results is uncertain and the directors continue to monitor and assess the ongoing development and respond accordingly.

SOLDO FINANCIAL SERVICES LTD

STRATEGIC REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

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


.....

Carlo Corrado Gualandri

Director

Date Signed : ...28/08/2020.....

SOLDO FINANCIAL SERVICES LTD

DIRECTORS' REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors of Soldo Financial Services Ltd ('the Company') present their annual report and audited financial statements for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The results for the financial year ended 31 December 2019 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 11. Profit before taxation amounted to £1,035,775 (2018: Loss £32,164).

The Statement of Financial Position as at 31 December 2019 are set out on page 12. The Company had net assets in the amount of £1,757,277 (2018: £721,502).

No ordinary dividends were paid for the financial year ended 31 December 2019 (2018: Nil). The directors do not recommend payment of a final dividend for the financial years ended 31 December 2019 and 2018.

DIRECTORS AND SECRETARY

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Carlo Corrado Gualandri
Andrea Gerosa (Resigned 14 February 2020)
Nicholas Wilson

GOING CONCERN

During the financial year, the Company reported a profit before tax of £1,035,775 (2018: Loss £32,164) and at 31 December 2019 the Company had net assets of £1,757,277 (2018: £721,502).

The ability of the Company to continue as a going concern is dependent on the subsequent trading performance and profitability of the Company. In making that assessment, the directors confirm that they have considered its expected revenue streams and expense base. The directors have also prepared forecasts which cover a period of at least twelve months from the date of approval of these financial statements. These forecasts indicate that the Company has sufficient financial resources to enable it to settle its liabilities as and when they fall due.

In light of the above, while there is an inherent uncertainty in the current economic climate, the directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

SOLDO FINANCIAL SERVICES LTD

DIRECTORS' REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 27 to these financial statements for full details of all post balance sheet events.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the Company in financial years subsequent to the financial period ended 31 December 2019.

CHARITABLE CONTRIBUTIONS

The Company made no charitable contributions during the period (2018: Nil).

RESEARCH AND DEVELOPMENT COSTS

The Company did not incur any expenditure in research and development during the period (2018: Nil).

POLITICAL DONATIONS

No political donations were made by the Company during the period (2018: Nil).

AUDITOR

The Company has appointed Grant Thornton, Chartered Accountant and Statutory Audit Firm, as our auditors for the period, in accordance with section 485 of the Companies Act, 2006.

STATEMENT ON RELEVANT AUDIT INFORMATION

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act, 2006.

This report was approved by the Board and signed on its behalf.


.....

Carlo Corrado Gualandri

Director

Date Signed : 28/08/2020.....

SOLDO FINANCIAL SERVICES LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Signed on behalf of the Board on 28 August 2020.



Carlo Corrado Gualandri

Director

Date Signed : ...28/08/ 2020.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOLDO FINANCIAL SERVICES LTD

FINANCIAL YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the financial statements of Soldo Financial Services Ltd (the 'Company'), which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows for the financial year ended 31 December 2019, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, Soldo Financial Services Ltd's financial statements:

- give a true and fair view in accordance with IFRS as adopted by the European Union of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the Companies Act, 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, namely the FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 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.

Other information

Other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon, including the Directors' report and the Strategic report. The directors are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOLDO FINANCIAL SERVICES LTD

FINANCIAL YEAR ENDED 31 DECEMBER 2019

Other information (continued)

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 in the financial statements, 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 Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment we have obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' report.

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

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

Other matter

This is our first year of appointment as statutory auditors, in accordance with section 495 of the Companies Act, 2006. The financial statements for the previous year ended 31 December 2018 were audited by other statutory auditors, which issued an unqualified opinion on 25 June 2019.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the European Union, 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOLDO FINANCIAL SERVICES LTD

FINANCIAL YEAR ENDED 31 DECEMBER 2019

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

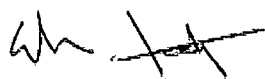
The purpose of our audit work and to whom we owe our responsibilities

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

SOLDO FINANCIAL SERVICES LTD

FINANCIAL YEAR ENDED 31 DECEMBER 2019



COLIN FEELY, FCA (Senior Statutory Auditor)

For and on behalf of

GRANT THORNTON

Chartered Accountants & Statutory Auditors

13-18 City Quay

Dublin 2

D02 NY19

Ireland

28 August 2020

SOLDO FINANCIAL SERVICES LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	7	4,191,085	1,426,168
Cost of sales		(1,299,868)	(366,557)
Gross profit		2,891,217	1,059,611
Operating expenses	8	(1,695,214)	(1,078,564)
Provision for impairment loss	14	(139,293)	(29,546)
Foreign exchange gain (loss)		(49,361)	4,746
Operating profit (loss)		1,007,349	(43,753)
Finance income	9	28,426	11,589
Profit (loss) before taxation		1,035,775	(32,164)
Tax on income (loss)	10	-	-
Profit (loss) for the financial year		1,035,775	(32,164)
Other comprehensive income		-	-
Total comprehensive income (loss) for the financial year		1,035,775	(32,164)

All amounts relate to continuing operations.

Signed on behalf of the board on 28 August 2020



Carlo Corrado Gualandri

Director

The accounting policies and notes on pages 17 to 39 form part of these financial statements.


SOLDO FINANCIAL SERVICES LTD
(Registration Number: 09495650)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
ASSETS			
Non-current assets			
Property and equipment	11	10,594	-
		<u>10,594</u>	<u>-</u>
Current assets			
Cash and cash equivalents	12	11,394,841	888,932
Designated client money accounts	13	39,625,451	17,818,721
Trade and other receivables	14	417,998	262,736
Inventories	15	139,854	56,263
Other assets	16	47,811	36,003
		<u>51,625,955</u>	<u>19,062,655</u>
TOTAL ASSETS		<u>51,636,549</u>	<u>19,062,655</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	40,167,414	17,932,818
Amounts due to group undertakings	18	9,711,858	408,335
		<u>49,879,272</u>	<u>18,341,153</u>
TOTAL LIABILITIES		<u>49,879,272</u>	<u>18,341,153</u>
EQUITY			
Share capital	20	1,724,348	1,724,348
Retained earnings/(accumulated losses)		32,929	(1,002,846)
TOTAL SHAREHOLDERS' FUNDS		<u>1,757,277</u>	<u>721,502</u>
TOTAL LIABILITIES AND EQUITY		<u>51,636,549</u>	<u>19,062,655</u>

Signed on behalf of the board on 28 August 2020


.....

Carlo Corrado Gualandri

Director

The accounting policies and notes on pages 17 to 39 form part of these financial statements.

SOLDO FINANCIAL SERVICES LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained earnings/ (Accumulated losses) £	Total equity £
Balance at 1 January 2019	1,724,348	(1,002,846)	721,502
Profit for the financial year	-	1,035,775	1,035,775
Other comprehensive income	-	-	-
Balance at 31 December 2019	1,724,348	32,929	1,757,277
Balance at 1 January 2018	1,724,348	(970,682)	753,666
Loss for the financial year	-	(32,164)	(32,164)
Other comprehensive income	-	-	-
Balance at 31 December 2018	1,724,348	(1,002,846)	721,502

Signed on behalf of the board on 28 August 2020 .



Carlo Corrado Gualandri

Director

The accounting policies and notes on pages 17 to 39 form part of these financial statements.

SOLDO FINANCIAL SERVICES LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Profit (loss) for the financial year		1,035,775	(32,164)
Adjustment to cash flows from non-cash items:		-	-
Impairment loss	14	139,293	29,546
Inventory loss	15	44,745	-
Finance income	9	(28,426)	(11,589)
Depreciation charge	11	1,066	-
Foreign exchange loss (gain)		49,361	(4,746)
		<u>1,241,815</u>	<u>(18,953)</u>
Changes in working capital:			
(Increase) in trade and other receivables		(294,555)	(3,225,753)
(Increase) in inventories		(128,337)	(56,263)
(Increase) Decrease in designated client money accounts		(21,806,730)	(10,491,621)
(Increase) in other assets		(11,808)	(36,003)
Increase in trade and other payables		22,234,597	13,554,983
Increase in amounts due to group undertakings		9,303,523	121,425
Cash generated from operations		10,538,504	(152,185)
Tax paid		-	-
Net cash generated from operating activities (A)		10,538,504	(152,185)
Cash flows from investing activities			
Purchase of property and equipment	11	(11,660)	-
Interest received	9	28,426	11,589
Net cash flows generated from investing activities (B)		16,766	11,589
Cash flows from financing activities			
Foreign exchange gain (loss)		(49,361)	4,746
Net cash flows (used in) generated from financing activities (C)		(49,361)	4,746
Net increase in cash and cash equivalents (A+B+C)		10,505,909	(135,850)
Cash and cash equivalents, beginning of financial year		888,932	1,024,782
Cash and cash equivalents, end of financial year		11,394,841	888,932

Signed on behalf of the board on 28 August 2020



Carlo Corrado Gualandri

Director

The accounting policies and notes on pages 17 to 39 form part of these financial statements.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2019

1. General information and statement of compliance with IFRS

Company information

Soldo Financial Services Ltd (The 'Company') is a private company limited by share capital, incorporated and domiciled in England and Wales. The registered office is 119 Marylebone Road, C/O Wework London, NW1 5PU and the Company registration number is 09495650.

The Company, jointly with its parent undertaking, Soldo Limited, offers its customers in its target markets real time transactional services supporting multiple jurisdictions, languages and currencies allowing them to better control their day to day spending both on and offline.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) and the Companies Act, 2006. They have been prepared under the assumption that the Company operates on a going concern basis.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.17.

The financials are presented in UK pounds sterling (£) which is the Company's functional currency.

2.2. New or revised Standards and Interpretations

Standards, amendments and interpretations effective in the year beginning 1 January 2019

There are a number of standards, amendments and interpretations that became applicable for the first time during the accounting period beginning 1 January 2019. Listed below are the amendments relevant to the Company:

- IFRS 16 'Leases'

IFRS 16 'Leases' is a new standard which replaces IAS 17 'Leases', and introduces a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

less or the underlying asset has a low value. Lessors continue to classify leases as operating and finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Company has adopted the standard for the first time in these financial statements. The Company performed an assessment on its rent contracts and has determined that the right to control the use of the identified asset is not conveyed in the arrangement. Under IFRS 16, the right to control the use of the identified asset should be established for an agreement to constitute a lease. Therefore, the Company has determined that the rent contracts are not within the scope of the standard.

- Amendments to IAS 12 'Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle'

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity accounting to where the entity originally recognised the events or transactions which generated the distributable reserves.

The effective date of the amendment is for years beginning on or after 1 January 2019.

The Company has adopted the amendment for the first time in these financial statements. The impact of this is not material.

- IFRIC 23 Interpretation 'Uncertainty over Income Tax Treatment'

IFRIC 23 interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

This interpretation does not have a significant impact on these financial statements.

Standards, amendments and interpretations issued but not yet effective in the year beginning 1 January 2019 and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company and no material impact is expected:

- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations neither

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

adopted nor listed above have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

2.3. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2.4. Revenue recognition

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue arises from subscription contracts with consumer clients and financial services revenue contracts with consumer and business clients. Subscription revenues are recognised over time, as the clients simultaneously obtains the benefits while consuming software services from the Company through access of the Soldo Group's financial platform and tools. Financial services revenue is recognised at a point in time, since services are transactional in nature and performance obligations are satisfied upon delivery or settlement. The payment terms for both revenue streams are short-term in nature, as payment is due for subscription revenue once invoice is issued, while financial services revenue are collected immediately as a portion of transaction settlement amounts. In all arrangements, the Company is acting as a principal as it has the ultimate control and responsibility in delivering the promised services to clients. Further, transaction price is fixed and is readily determinable at inception of the subscription contract, and upon initiation of the transaction, in the case of financial services.

2.5. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

2.6. Finance costs

Finance costs are expensed in the period in which they are incurred.

2.7. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. An item of property and equipment is derecognised upon disposal or when no longer in use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

and the carrying amount of the item) is included in the Statement of Profit or Loss in the year the item is derecognised.

Property and equipment is depreciated in order to write them off over their expected useful life to their residual values on the following basis:

Computer equipment	Straight line over 3 years
--------------------	----------------------------

Property and equipment is reviewed annually for impairment. Any impairment identified is charged in the Statement of Profit or Loss.

2.8. Leases

Accounting policy applicable from 1 January 2019

The Company as lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is use throughout the period of use.

Measurement and recognition of leases as a lessee

The Company has determined that the rent contracts do not constitute a lease as no right to direct the use of an identified asset is conveyed. The Company recognises payments in relation to the rent contracts as an expense in profit or loss on a straightline basis over the agreed term.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting policy applicable before 1 January 2019

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Rent free periods are treated as discounts and recognised on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.9. Impairment testing of property and equipment

Non-financial assets, except for deferred tax assets, are reviewed for possible indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate possible impairment. If any such indication exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit, or CGU').

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss. An impairment loss in respect of goodwill is not reversed.

2.10. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within operating expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, internal or external indicators and forward-looking information to calculate the expected losses.

The Company assess impairment of trade receivables on a customer by customer basis. The expected credit loss provision for trade and other receivables is based on historical counterparty default rates and adjusted for relevant forward looking information, when required.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, borrowings and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.11. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2.13. Equity

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits and losses.

2.14. Post-employment benefits and short-term employee benefits

Retirement benefit costs

The costs charged in the financial statements represent contributions payable by the Company during the period into publicly or privately administered defined contribution pension plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Short-term employee benefits

Short-term employee benefits are recognised as expense and current liability, included in pension and other employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement, unless those costs are required as part of the cost of stock or non-current asset.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.15. Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

2.16. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.17. Critical accounting estimates and judgements

The application of the Company's accounting policies requires the use of estimates and assumptions. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the Company.

The areas involving significant estimates and judgements are:

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

Provision for impairment loss

Management provides for any receivables that they do not believe are collectible. In calculating the provision, the Company uses its historical experience, internal or external indicators and forward-looking information to calculate the expected losses. Management reviews the receivables balance on a regular basis and evaluates whether a provision is necessary.

Leases

The Company has adopted IFRS 16 for the first time. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements. The standard also defines a contract as a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration.

Critical judgement was required by the Company in determining whether or not a contract contains a lease. The Company assessed that the contracts did not convey the right to control the use of an identified asset, and therefore do not constitute leases as defined by the standard.

2.17 Fair value measurement

Fair value is the amounts for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques. The fair values at the end of the reporting period are approximately in line with their reported carrying values unless specifically mentioned in the notes to the financial statements.

3. Going concern

During the financial year, the Company earned income of £1,035,775 (2018: Loss £32,164) and at 31 December 2019 the Company had net assets of £1,757,277 (2018: £721,502).

The ability of the Company to continue as a going concern is dependent on the subsequent trading performance and profitability of the Company. In making that assessment, the directors confirm that they have considered its expected revenue streams and expense base. The directors have also prepared forecasts which cover a period of at least twelve months from the date of approval of these financial statements. These forecasts indicate that the Company has sufficient financial resources to enable it to settle its liabilities as and when they fall due.

In light of the above, while there is an inherent uncertainty in the current economic climate, the directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The financial

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

4. Employees

The average monthly number of persons (including directors) employed by the Company during the financial year was as follows:

	2019 Number	2018 Number
Directors	3	2
Risk and compliance staff	3	2
Administrative staff	7	6
Sales, marketing and distribution	1	2
Customer service and training staff	6	3
Other	3	-
	<u>23</u>	<u>15</u>

Their aggregate payroll costs of the above were:

	2019 £	2018 £
Wages and salaries	905,334	609,459
Social security costs	97,698	66,036
Pension costs – defined contribution plans	15,669	6,494
Other short-term employee benefits	8,228	6,613
Other employee expense	4,281	4,654
	<u>1,031,210</u>	<u>693,256</u>

5. Directors' remuneration

The aggregate remuneration in respect of qualifying services for all 2 (2018: 2) directors of the Company was:

	2019 £	2018 £
Directors' salaries	139,557	158,590
Social security costs	16,968	20,894
	<u>156,525</u>	<u>179,484</u>

The directors did not receive benefits in kind during the financial year (2018: £Nil).

Other than the amounts disclosed above, any further required disclosures under section 413 of the Companies Act, 2006 were £Nil for both the current and preceding financial years

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

6. Auditor's remuneration

	2019 £	2018 £
Financial statements audit	<u>16,200</u>	<u>12,300</u>

7. Revenue

The analysis of the Company's revenue for the year from continuing operations, broken down per geographical market is as follows:

	2019 £	2018 £
United Kingdom	1,470,111	505,377
Europe	<u>2,720,974</u>	<u>920,791</u>
	<u>4,191,085</u>	<u>1,426,168</u>

All revenues are recognised at a point in time, with the exception of subscription revenue, which is recognised over time.

8. Operating expenses

	2019 £	2018 £
Wages and salaries	905,334	609,459
General and administrative	396,309	328,748
Social security costs	97,698	66,036
Professional fees	50,615	32,087
Inventory loss (Note 15)	44,745	-
Pension costs - defined contribution plans	15,669	6,494
Other short-term employee benefits	8,228	6,613
Other employee expense	4,281	4,654
Depreciation of property and equipment	1,066	-
Selling and marketing	807	17,264
Other expenses	<u>170,462</u>	<u>7,209</u>
	<u>1,695,214</u>	<u>1,078,564</u>

9. Finance income

	2019 £	2018 £
Interest income on bank deposits	<u>28,426</u>	<u>11,589</u>

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

10. Taxation

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2018: 19.25%).

	2019 £	2018 £
Corporate tax on profits for the current period	-	-
Total current tax	<u>-</u>	<u>-</u>
	2019 £	2018 £
Income (Loss) before taxation	1,035,775	(32,164)
	<u>1,035,775</u>	<u>(32,164)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2018: 19.25%)	196,797	(6,192)
(Utilisation of tax losses) / tax losses carried forward	(196,797)	6,192
Tax charge for the period	<u>-</u>	<u>-</u>

11. Property and equipment

Details of the Company's property and equipment and their carrying amounts are as follows:

	2019 £
Computer equipment	
Cost	
Balance at 1 January 2019	-
Additions	11,660
Disposals	-
Balance at 31 December 2019	<u>11,660</u>
Accumulated depreciation	
Balance at 1 January 2019	-
Depreciation for the year	(1,066)
Disposals	-
Balance at 31 December 2019	<u>(1,066)</u>
Carrying amount at 31 December 2019	<u>10,594</u>

There were no property and equipment in the preceding financial year. All depreciation charges are included within operating expenses in the statement of profit or loss and other comprehensive income.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2019 £	2018 £
Cash at bank	1,041,342	724,408
Electronic money advanced to corporate issuer	10,353,499	164,524
	<u>11,394,841</u>	<u>888,932</u>

Included in cash and cash equivalents as at 31 December 2019, are prefunding deposits held by Wirecard Card Solutions Limited, 'WDCS', amounting to €12.23m. Please refer to Note 27 to these financial statements for further details regarding the activities of WDCS and its ultimate parent together with the Group's responses to same.

As at the date of signing these financial statements the prefunding deposit balance held by WDCS has subsequently reduced to €3.3m. The retention of this balance is in line with pre-existing contractual commitments in place with WDCS and held for the purpose of supporting settlement transactions for transition period following the Groups migration to Mastercard as principal settlement agent post year end.

The directors are therefore satisfied that cash and cash equivalents as at 31 December 2019 are not stated in excess of their recoverable amounts and that no impairment provision is deemed necessary.

13. Designated client money accounts

	2019 £	2018 £
Designated client money accounts	<u>39,625,451</u>	<u>17,818,721</u>

The carrying value of designated client money accounts are considered to be a reasonable approximation of fair value.

Designated client money accounts pertain to segregated accounts being held for customers to allow them to transact from their electronic wallets and fully utilise the Company's services. The funds are segregated in accordance with Financial Conduct Authority requirements, particularly safeguarding service users' funds under the Payment Services Regulations 2017 (PSRs) and Electronic Money Regulations 2011 (EMRs). The total amount of segregated accounts is balanced by a corresponding amount of electronic money issued in favour of customers.

As at year end, the amount of £262,207 (2018: £164,854) included in designated client money accounts is related to electronic money advanced to the Company's consumer settlement provider, Paysafe.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

14. Trade and other receivables

Trade and other receivables consist of the following:

	2019 £	2018 £
Trade receivable from third parties	88,756	130,039
Accrued revenue	2,980	4,007
Other receivables	326,262	128,690
	<u>417,998</u>	<u>262,736</u>

The carrying value of trade receivables are considered to be a reasonable approximation of fair value.

All amounts are short-term. Trade and other receivables are collectable when billed.

At 31 December 2019, the amount of £174,932 (2018: £35,639) included in other receivables is related to the negative balance in customers' electronic money accounts owed to the Company at the end of the year and was fully provided for with impairment loss amounting to £139,293 (2018: £29,546). No other provisions for impairment of trade and other receivables have been required. See Note 21.3 for the reconciliation of the allowance for impairment loss.

15. Inventories

Inventories consist of the following:

	2019 £	2018 £
Balance at 1 January	56,263	-
Purchases	264,567	107,844
Cost of sales	(136,231)	(51,581)
Inventory loss on obsolete cards	(44,745)	-
Cards Stock	<u>139,854</u>	<u>56,263</u>

Inventories refer to the carrying value of the plastic cards issued to customers for accessing the electronic wallet to perform the activities related to the services provided by Soldo.

Inventories written off in profit and loss during 2019 amounted to £44,745 (2018: £Nil), which are attributable to cards stock already considered as obsolete. As at 31 December 2019 and 2018, the existing inventories are carried at cost after determining that the costs of the inventories are still above their net realisable value.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

16. Other assets

Other assets consist of the following:

	2019 £	2018 £
Security deposits	33,900	20,500
Prepayments	13,911	15,503
	<u>47,811</u>	<u>36,003</u>

17. Trade and other payables

Trade and other payables consist of the following:

	2019 £	2018 £
Accounts payable to third parties	316,415	26,375
Accruals	191,309	37,822
Other employee obligations	32,338	49,900
Other payables	39,627,352	17,818,721
	<u>40,167,414</u>	<u>17,932,818</u>

The carrying value of trade payables are considered to be a reasonable approximation of fair value.

Trade and other creditors are payable at various dates over the coming months in accordance with the suppliers' usual and customary credit terms.

As at year end, the amount of £35,730,690 (2018: £16,418,138) included in other payables is related to electronic money issued in favour of customers and is balanced by a corresponding amount of cash held in segregated bank accounts and cash in transit with third party Electronic Money institutions for settlement obligations, as discussed in Note 13. The remaining amount in other payables pertain to client money advances amounting to £3,894,761 (2018: £1,400,583) which is also balanced by segregated funds in Note 13.

18. Amounts due to group undertakings

	2019 £	2018 £
Payable to related parties	<u>9,711,858</u>	<u>408,335</u>

Amounts owed to related companies represent balances owed to the ultimate and immediate parent undertakings, and entity under common control. These amounts are interest free, unsecured and repayable on demand. For further details regarding related party transactions, see Note 22.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial instruments

The carrying amounts of financial assets and financial liabilities in each category of the Company are as follows:

	2019 £	2018 £
Financial assets (current)		
Cash and cash equivalents	11,394,841	888,932
Designated client money accounts	39,625,451	17,818,721
Trade and other receivables	415,018	258,729
Other assets	33,900	20,500
	<u>51,469,210</u>	<u>18,986,882</u>
Financial liabilities (current)		
Trade and other payables	39,941,866	17,845,096
Amounts due to group undertakings	9,711,858	408,335
	<u>49,653,724</u>	<u>18,253,431</u>

All company assets and liabilities above are measured at amortised cost.

Gross receivables related to customers' electronic money accounts negative balances amount to £174,932 (2018: £35,639). Bad debt provision was recognised in full in both financial years. No other provisions for impairment of trade and other receivables have been required.

20. Share Capital

	2019 £	2018 £
Authorised, issued and fully paid		
1,724,348 (2018: 1,724,348) Ordinary shares of £1.00 each	<u>1,724,348</u>	<u>1,724,348</u>

No ordinary shares were allotted during the financial year (2018: Nil).

21. Financial instruments risk

21.1. Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 19. The main types of risks are market risk, credit risk, liquidity risk, and capital risk.

The Company's directors focus on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

21.2. Market risk

Currency risk

Exposures to currency exchange rates arise from the Company's cash at banks, which are primarily denominated in Euro (EUR) and United States Dollars (USD). The Company has an intercompany working capital loan payable to Soldo Software and Services Limited, the ultimate parent undertaking, which is denominated in EUR.

To mitigate the Company's exposure to foreign currency risk, non-Sterling (GBP) cash flows are monitored in accordance with the Company's risk management policies.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management, translated into GBP at the closing rate:

	Short term exposure (EUR) 2019 £	Short term exposure (USD) 2019 £	Short term exposure (EUR) 2018 £	Short term exposure (USD) 2018 £
Financial assets	34,925,800	2,157,594	14,214,974	1,194,532
Financial liabilities	36,440,125	1,562,390	14,222,297	1,097,450
	71,365,925	3,719,984	28,437,271	2,291,982

The analysis below illustrates the sensitivity of profit and equity in regards to the Company's financial assets and financial liabilities and the foreign exchange rates all other things being equal. A +/- 5% change is considered for the exchange rate (2018: +/- 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

	2019		2018	
	+5%	-5%	+5%	-5%
USD	(23,435)	23,435	(2,492)	2,492
EUR	(40,077)	40,077	(15,589)	15,589
	(63,512)	63,512	(18,081)	18,081

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

Interest rate risk

The Company's current assets include cash and cash equivalents at the year-end of £11,394,841 (2018: £888,932), of which average interest rate applicable is at 25 basis points. Since cash and cash equivalents are subject to fixed interest rates, we do not expect any fluctuations in interest rates to materially affect the Company's profit or loss.

21.3. Credit risk

Credit risk is the risk that the counterparty fails to discharge an obligation of the Company. The Company is exposed to credit risk from financial assets including cash held at banks and trade and other receivables.

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	2019 £	2018 £
Cash and cash equivalents	11,394,841	888,932
Designated client money accounts	39,625,451	17,818,721
Trade and other receivables	415,018	258,729
Other assets	33,900	20,500
	<u>51,469,210</u>	<u>18,986,882</u>

The Company is still technically exposed to credit risks on its financial assets. However, the Company's assessment is that the credit risk for cash and cash equivalents and designated client money accounts is considered negligible, since the counterparties are reputable financial institutions with investment grade ratings.

The Company's credit risk is primarily attributable to the negative balance in customers' electronic money accounts owed to the Company amounting to £174,932 (2018: £35,639), balance sheet amounts for which are stated net of allowances for any estimated irrecoverable amounts. No concentration risk arises as the Company has no significant dealings with any particular customer.

The Company considers a financial asset in default when contractual payments are 90 days past due. This is consistent with the rebuttable presumption set forth in IFRS 9, along with the Company's consideration that all of the Company's financial assets are short-term in nature, and therefore being outstanding by at least 90 days from due date indicate significant inability on the part of the debtor to fulfil its obligations. The Company may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding amounts.

Impairment losses for financial assets are assessed on an individual or customer by customer basis. In the case of negative balances in customers' electronic money account, the Company incorporated both historical and forward-looking information, such as the negative balances' historical pattern of collectability, and the likelihood of recourse based on existing contractual arrangements with customers.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

The movement in the allowance for impairment in respect of these electronic money accounts during the year was as follows:

	2019 £	2018 £
Balance at 1 January	35,639	6,093
Loss allowance during the year	139,293	29,546
Balance at 31 December	174,932	35,639

The allowance for impairment in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the account is possible.

21.4. Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. Management control and monitor the Company's cash flow on a regular basis, including forecasting future cash flows, to ensure that it has sufficient financial resources to meet the obligations of the Company as they fall due. All financial assets and liabilities of the Company are due to mature within the next months from year end.

21.5. Capital management policies and procedures

For the purpose of the Company's capital management, capital includes issued capital. The Company's capital management objectives are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- To provide an adequate return to shareholders based on the level of risk undertaken.
- To have financial resources available to allow the Company to invest in areas that may deliver future benefits and returns to shareholders and other stakeholders.
- To maintain financial resources sufficient to mitigate against risks and unforeseen events.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

22. Related party transactions

The Company's related parties include the ultimate parent undertaking, immediate parent, companies under common control and key management as described below.

At the end of the financial year, amounts due to the immediate parent, Soldo Limited, and ultimate parent undertaking, Soldo Software and Services Limited, amounted to £557,913 (2018: £269,266) and £8,632,947 (2018: £Nil), respectively. These pertain to short-term working capital loans.

At the end of the financial year, subscription revenues collected by the Company on behalf of Soldo Limited and the Italian branch amounted to £213,306 (2018: £88,052) and £307,692 (2018: £Nil), respectively.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

During the financial year, Soldo Limited provided software services to the Company amounting to £251,110 (2018: Nil). Soldo Technology Srl, a company under common control, provided primary software and information technology services to the Company amounting to £Nil (2018: £51,016).

There were no transactions with Key Management Personnel during the current and preceding financial year other than as disclosed in Note 5.

None of the Company's related party transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash and are interest free, unsecured and repayable on demand.

23. Obligations under leases and hire purchase contracts

In the preceding year, the Company had operating leases for the use of office space. The total future value of minimum lease payments is as follows:

	2018 £
Operating leases	
Within one year	131,200
Within two to five years	21,867
	<u>153,067</u>

The amount of non-cancellable lease payments recognised as an expense in the preceding year was £63,174.

For any new contracts entered into on or after 1 January 2019, the Company has applied IFRS 16 'Leases' which replaces IAS 17. As at the year ended 31 December 2019, the Company has assessed that the rent contracts entered into did not qualify as a lease. The Company's accounting policy is outlined in Note 2.8.

24. Pension commitments

The Company operates a defined contributions pension scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £15,669 (2018: £6,494). Contributions totalling £3,698 (2018: £1,410) were payable to the fund at the financial year end and are included in other employee obligations.

25. Parent and ultimate parent undertaking

The immediate parent is Soldo Limited, a company incorporated in the United Kingdom. Consolidation of the entity's accounts is taken up in the consolidated financial statements of the ultimate parent undertaking, Soldo Software and Services Limited, a company incorporated in the Republic of Ireland with office address at 33 Sir John Rogerson's Quay, Dublin 2, D02 XK09. The Group accounts are held at this office address.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

26. Reclassification of comparative amounts (other than arising from first-time adoption)

Certain reclassifications have been made to the prior period's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended in the statement of financial position, statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	Previously reported 2018 £	Reclassification 2018 £	After reclassification 2018 £
Current assets			
Cash and cash equivalents	2,264,315	(1,375,383)	888,932
Designated client money accounts	12,192,377	5,626,344	17,818,721
Trade and other receivables	4,549,700	(4,286,964)	262,736
Other assets	-	36,003	36,003
	19,006,392	-	19,006,392
Current liabilities			
Trade and other payables	(18,341,153)	408,335	(17,932,818)
Amounts due to group undertakings	-	(408,335)	(408,335)
	(18,341,153)	-	(18,341,153)
Profit or loss			
Cost of sales	(586,489)	219,932	(366,557)
Gross profit	839,679	219,932	1,059,611
Operating expenses	(888,178)	(190,386)	(1,078,564)
Provision for impairment loss	-	(29,546)	(29,546)
Operating loss before foreign exchange gain	(48,499)	-	(48,499)

The reclassification involves the transfer of customer onboarding costs from cost of sales to general and administrative expenses. The reason is to give a true and fair view of the allocation between direct and indirect costs. In order to maintain comparability, the financial statements for 2018 and 2019 have been adjusted. This adjustment affects Gross profit. Operating profit / (loss) is not affected.

SOLDO FINANCIAL SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2019

Summary of changes on cash flows arising from reclassification are shown below:

	Previously reported 2018 £	Reclassification 2018 £	After reclassification 2018 £
Net cash generated from operating activities	10,024,937	(10,177,122)	(152,185)
Net cash generated from investing activities	221,654	(210,065)	11,589
Net increase in cash and cash equivalents	<u>10,246,591</u>	<u>(10,387,187)</u>	<u>(140,596)</u>

27. Events after the reporting period

The key events that have occurred since the balance sheet date are listed below.

- (i) In response to Brexit all non-UK EEA customers are migrated to Soldo Financial Services Ireland DAC, an entity under common control within the group.
- (ii) On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the Company. Management does not see a significant negative impact on the Company's activities as revenue in the first six months of 2020 have been stable despite the migration of non-UK EEA customers. Management will continue to monitor the global developments of this new virus and respond accordingly.
- (iii) Wirecard Card Solutions Limited, "WDSCS" was the Company's card issuing and settlement services provider during the reporting period. WDSCS is a wholly owned subsidiary of Wirecard AG, a company incorporated in Germany. On 25 June 2020, Wirecard AG filed for insolvency following revelations of accounting malpractices.

The directors have considered the impact of this event on the financial statements of the Company, specifically assessing the recoverability of the prefunding deposits held by WDSCS on behalf of the Company at year end, see Note 12 to these financial statements for further details.

The Company has proactively worked to manage its exposure to Wirecard and was subsequently granted principal membership status with Mastercard. The Company no longer uses Wirecard for processing of transactions and has exited the relationship at no cost to customers and negligible costs to the company.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the Company in financial years subsequent to the financial period ended 31 December 2019.

28. Authorisation of financial statements

The financial statements were authorised for issue by the board of directors on 28 August 2020.