



TrustPay



**2021/2022
ANNUAL REPORT**

**Report on the Business Activities of the Company
and the State of Its Assets**



Table of Contents

ANNUAL REPORT

BASIC COMPANY INFORMATION	3
Identification data	
Members of Company bodies	
Business activities	
Organisational unit abroad	
FINANCIAL INDICATORS OF THE COMPANY	4
Aggregate indicators	
Data on assets, liabilities and equity	
Data on revenues and costs	
Funds in client accounts	
GENERAL PRINCIPLES	6
Accounting principles and procedures	
Income tax	
COMPANY SALES MANAGEMENT PLAN FOR THE FINANCIAL YEAR 2022/2023 AND THE EXPECTED DEVELOPMENT OF ITS ASSETS.....	6
COMPANY BUSINESS PHILOSOPHY	7
PLATFORMS FOR THE PROVISION OF SERVICES	7
Payment accounts	
Acceptance of payments from customers	
POS terminals	
ATM terminals	
OTHER INFORMATION	8
Research and development costs	
Ownership of shares, temporary stock, and business interests	
Planned investments	
Financial assets measured at fair value	
Significant risks and uncertainties	
Impact of Company activities on the environment and employment	
Proposed distribution of profit	
Events after the date of the Financial Statements	
Expected future development of the Company	

Appendices:

Separate Financial Statements for the year ended 30 September 2022, prepared in accordance with IFRS as adopted by the European Union
Independent Auditor's Report

BASIC COMPANY INFORMATION

Identification data

Business name: Trust Pay, a.s.
Registered office: Za kasárňou 315/1, Bratislava 831 03
Company ID: 36 865 800
Incorporation date: 3 December 2009
Legal form: Joint stock company
Registered share capital: EUR 350,000 (350 registered common shares in certificated form with nominal value of EUR 1,000 each)

Members of Company 's bodies

Body	Position	Name
Board of Directors	Chairman	Igor Rintel
	Member	David Rintel
	Member	Vladimír Kajaba
Supervisory Board	Member	Jaroslav Novák
	Member	Alfred Augustin
	Member	Petra Rintelová

When the statutory body acts on behalf of the payment institution, in order for the written legal acts made on behalf of the payment institution to be valid, the signatures of at least two members of the payment institution's statutory body are required.

Business activities

Trust Pay, a.s. is a licensed payment institution specialising in efficient payment solutions. The Company offers card payments, instant bank transfers, processing of POS (until February 2022) and ATM transactions, as well as numerous alternative payment methods. It is providing services in compliance with the Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market and the Act No. 492/2009 Coll. on Payment Services. Trust Pay, a.s. is a member of the international SWIFT network, a participant to SEPA SCT, SEPA SDD and a member of VISA, MasterCard, and UnionPay.

On 21 December 2009, the National Bank of Slovakia, Department of Financial Market Supervision, as the authority supervising activities of payment institutions pursuant to provisions of Section 64(1) of the Act No. 492/2009 Coll. on Payment Services as amended, competent to act and decide in the first instance pursuant to the provisions of Section 29(1) of the Act No. 747/2004 Coll. on Supervision over Financial Market as amended, granted a license to Trust Pay, a.s. to provide payment services pursuant to the Act No. 492/2009 Coll. on Payment Services as amended, Section 2(1)(c) and (g), which was subsequently (on 12 July 2016) extended on the basis of licence granted by the National Bank of Slovakia, to include services under provisions of Section 2(1)(d). By an NBS resolution dated 19 December 2022, the licence for the provision of payment services was extended to include a payment initiation service in accordance with the provisions of Section 2(1)(g) of Act No. 492/2009 Coll. on Payment Services and on Amendments to Certain Acts, as amended. The resolution became valid and effective on 20 December 2022. During FY 2021/2022, the Company did not engage in provision of payment initiation services as part of its business activities. The license granted by the NBS to include the provision of payment initiation services in the Company's portfolio was obtained after the end of the accounting period for which the Annual Report is being prepared. Likewise, the extended scope of business activities has been officially registered in the Commercial Register after the end of the 2021/2022 financial year.

Provision of payment services:

a) the execution of payment transactions including transfers of funds from or to a payment account held with the payment service provider, by means of:

1. payment,
2. payment card or other means of payment,
3. direct debit,

- b) issuing and acceptance of payment cards or other means of payment
 c) execution of payment transactions on credit granted to a payment service user
1. in the form of an authorised overdraft on a payment account, specifically by means of:
 - payment,
 - payment card or other means of payment,
 - direct debit,
 2. in the form of a credit line by means of a payment card or other means of payment;
- d) payment initiation service.

The extension of the scope of business activities was entered into the Commercial Register on 2 February 2023. Other activities include the activities of business, organisational, and economic consultants.

On 15 October 2021, Trust Pay, a.s. established IBANIZE LTD based in Cyprus, which acts as the Company's payment services agent from 1 March 2022. This company has not yet performed any activities.

Organisational unit abroad

Trust Pay, a.s. does not have an organisational unit abroad.

FINANCIAL INDICATORS OF THE COMPANY

Data as at 30 September 2021 and 30 September 2020 are stated as comparative data of prior periods for assets, liabilities, equity, costs, and revenues.

Aggregate indicators (in EUR)

	30 September 2022	30 September 2021	30 September 2020
Payment transactions income	30,401,817	22,330,169	14,536,706
Payment transaction costs	(17,515,120)	(12,230,885)	(9,363,935)
General administrative expenses	(3,737,388)	(3,015,156)	(2,261,246)
Other operating income/expenses (+/-)	(937,116)	(653,037)	(529,048)
OPERATING PROFIT (LOSS)	8,212,193	6,431,091	2,382,477
Interest income	632	26	2,961
Interest expense	-	-	(32,521)
Other financial income/(expenses)	4,755,781	2,651,021	995,443
PROFIT BEFORE TAX	12,968,606	9,082,138	3,348,360
Income tax	(2,735,185)	(1,929,173)	(708,415)
Deferred tax	(1,058)	1,622	(1,476)
NET PROFIT/(LOSS) AFTER INCOME TAX	10,232,363	7,154,587	2,638,469

Significant changes in profit from financial activities were caused mainly by fluctuations of foreign exchange rates.

Assets, liabilities and equity as at 30 September (in EUR)

ASSETS	30 September 2022		30 September 2021		30 September 2020	
Total non-current assets	1,546,970	10%	1,896,057	15%	1,482,242	16%
Current assets	13,262,476	90%	10,509,500	85%	7,653,451	84%
TOTAL ASSETS	14,809,446	100%	12,405,557	100%	9,135,693	100%

EQUITY AND LIABILITIES	30 September 2022		30 September 2021		30 September 2020	
Total equity	12,290,046	83%	9,873,999	80%	7,420,269	81%
Total non-current liabilities	75,225	1%	163,508	1%	134,964	1%
Total current liabilities	2,444,175	16%	2,368,050	19%	1,580,460	18%
TOTAL EQUITY AND LIABILITIES	14,809,446	100%	12,405,557	100%	9,135,693	100%

A significant portion of non-current assets is comprised of non-current intangible assets and financial assets measured at fair value through other comprehensive income (FV OCI), i.e., Series C of VISA Inc. shares. Decrease in non-current assets was mainly due to conversion of a part (46.60%) of the value of Series C VISA Inc. preferred shares into Series A VISA preferred shares, and the following sale of the Series A VISA preferred shares. On the other hand, decrease was partly offset by an increase in non-current intangible assets due to recognition of the internally developed SW.

The increase in current assets is due to increase in cash in bank accounts.

During FY 2021/2022, there was no change in the share capital which remains at EUR 350,000.

The increase in equity refers mainly to the economic result of 2021/2022. The net profit of EUR 7,154,587 recognised in FY 2020/2021 was paid out in the form of dividends to the Company's shareholders, as well as the retained earnings of FY 2019/2020 in the amount of EUR 854,043, which resulted from the transfer of the cumulated gain on derecognition of financial assets measured at FVOCI into retained earnings from valuation differences from the revaluation of financial assets measured at FVOCI.

The increase in current liabilities is caused mainly by the increase in current tax liabilities.

	30 September 2022	30 September 2021	30 September 2020
Working capital ratio	17%	20%	19%
Liquidity Coverage Ratio	543%	444%	484%
Cash ratio	527%	434%	372%

Explanatory notes:

Working capital ratio = Liabilities / Assets

Liquidity coverage ratio = Current assets / Current liabilities

Cash ratio = Cash and cash equivalents / Current liabilities

Revenues and costs data (in EUR)

	30 September 2022		30 September 2021		30 September 2020	
Payment transactions income	30,401,817	78%	22,330,169	83%	14,536,706	81%
Operating income	460,362	1%	427,031	2%	187,083	1%
Financial income	8,112,112	21%	4,163,038	15%	3,200,470	18%
Total revenues	38,974,291	100%	26,920,238	100%	17,924,259	100%
Payment transaction costs	(17,515,120)	68%	(12,230,885)	69%	(9,363,935)	64%
General administrative expenses, of which	(3,737,388)	14%	(3,015,156)	17%	(2,261,246)	16%
- Personnel expenses	(2,293,397)		(1,830,207)		(1,430,501)	
- IT expenses	(568,917)		(485,329)		(222,042)	
- Rent, company headquarters, rental services	(205,271)		(206,160)		(195,311)	
- Advertising, representation, fairs and exhibitions costs	(211,493)		(81,052)		(62,932)	
- Other administrative expenses	(458,310)		(412,408)		(350,460)	
Other operating expenses	(1,397,478)	5%	(1,080,068)	6%	(716,131)	5%
Financial expenses	(3,355,699)	13%	(1,511,991)	8%	(2,234,587)	15%
Total costs	(26,005,685)	100%	(17,838,100)	100%	(14,575,899)	100%
Profit/(Loss) before tax	12,968,606		9,082,138		3,348,360	

The Company's overall strategy has not undergone any major changes comparing to FY 2020/2021. The Company keeps establishing business relationships with new clients on a regular basis, and expanding the scope of services for existing clients, which has contributed to over 36% increase in revenues from payment transactions compared to the prior period. The slower increase in revenues compared to the increase in costs was primarily caused by different client structure compared to the previous year. The Company intends to monitor the efficiency of contracts in the upcoming period as well, to achieve the required revenues from payment transactions with regard to the number of its clients. The COVID-19 pandemic, which significantly changed the consumer behaviour and preferences, and increased e-commerce sales and card payments have also had a significant impact on the growth of revenues. The impact of the changes resulting from the COVID-19 pandemic continued throughout FY 2021/2022.

The Company recorded a 43% increase in costs of payment transaction due to the higher amounts and transfers of more financial funds. This also results in significant changes in financial income and financial expenses. A significant portion of the financial income and financial expenses is represented by foreign exchange gains and foreign exchange losses. In FY 2021/2022 the Company reported a positive result with regard to revaluation of foreign currency.

Funds in client accounts (in EUR)

The Company manages funds of its clients, which do not, at any time, become the ownership of Trust Pay, a.s., and the Company does not bear any risk associated with exchange rate fluctuations. Any losses or gains resulting from the above fluctuations are fully borne by the client.

	30 September 2022	30 September 2021	30 September 2020
Closing balance in client's accounts	125,748,541	144,942,934	74,455,759
Funds in transit	(10,552,079)	(6,395,658)	(6,969,315)
Liabilities to clients	115,196,462	138,547,276	67,486,444

GENERAL PRINCIPLES

Accounting principles and procedures

1. The Company applies accounting policies in accordance with the International Financial Reporting Standards as approved by the European Union.
2. The Company has prepared the financial statements under the going concern assumption, and until the date of its submission, there were no other events that would result in change the assumption.
3. The Company's accounting is kept in compliance with the accrual principle. All expenses and income related to the accounting period, irrespective of the date of their payment, are taken as the basis.
4. The Company applies the prudence principle and the financial statements express the risks, impairments and losses related to the assets and liabilities known as at the date of the financial statements.
5. The valuation is based on historical cost, except for certain financial instruments.
6. Assets and liabilities in foreign currency are converted to EUR using the exchange rate announced by the ECB.
7. Funds received by Trust Pay, a.s. from the clients are, at all times, owned by the clients. Therefore, the clients' funds are kept separately and under no circumstances becomes the Company's property; no exchange rate differences are incurred and no related risks are borne by the Company as a result of keeping records of these funds.

CORPORATE INCOME TAX

The corporate income tax rate for FY 2021/2022 is 21%. The Company is not subject to any exemptions.

COMPANY SALES MANAGEMENT PLAN IN THE FISCAL YEAR 2022/2023 AND THE EXPECTED DEVELOPMENT OF ASSETS (Article XII(1)(k) of the Articles of Association)

COMPANY BUSINESS PHILOSOPHY

The business philosophy of Trust Pay, a.s. is to facilitate the transfer of funds for its corporate clients in order to speed up and simplify the entire process at reduced costs using modern and innovative technologies.

The Company aims to provide its clients with as many payment services as possible in one place, which it frequently reviews according to the needs of their individual clients or on the basis of market development. Trust Pay, a.s. develops its products and constantly optimises the technical features and functionalities of the provided payment services so that it can provide services to its clients as efficiently and with the highest degree of automation as possible.

As part of the Company business philosophy, it should be mentioned that Trust Pay, a.s. applies an individual approach and maintains active and regular communication with the clients with higher transaction volumes or with clients that are otherwise important to the Company; on the other hand, when serving small and medium-sized enterprises, the Company introduces technologies that allow for the greatest possible level of automation in the establishment of the business relationship, the setup following go-live of services and the subsequent provision of services to these clients.

PLATFORMS FOR THE PROVISION OF SERVICES

Payment accounts

Trust Pay, a.s. offers its clients the establishment of TrustPay payment accounts, which serve as a full-fledged alternative to traditional bank accounts. These payment accounts have their own IBAN number, through which the merchant can accept bank payments from all over the world in supported currencies.

Merchants are also provided with access to TrustPay Internet Banking, which offers functionalities allowing them to fully manage their payment accounts and the related transactions. It also allows them to place payment orders.

API banking

Another useful functionality for the payment accounts offered by the Company is the so-called API banking, where merchants can manage their TrustPay payment accounts (track balances, transaction history, download statements and place payment orders) directly and automatically from their systems via API integration.

Prepaid cards

Trust Pay, a.s. offers its clients prepaid Mastercard payment card connected to their TrustPay payment account. Clients have the opportunity to use their prepaid cards worldwide for ATM withdrawals, online payments and other supported operations up to the amount of the balance on their card. The cards can be topped-up via TrustPay Internet Banking repeatedly, as necessary.

Trust Pay, a.s. does not issue electronic money to the payment service users, however it acts as electronic money distributor of other e-money institution.

Acceptance of payments from customers

Trust Pay, a.s. currently provides several payment methods for its clients, i.e. online merchants, to accept payments from their customers for goods or services provided:

Card payments

Trust Pay, a.s. enables the acceptance of VISA, MasterCard and Maestro payments. The TrustPay payment gateway is available to merchants throughout the European Economic Area and meets the requirements of the PCI DSS level 1 certification, which provides the highest level of data security for their customers.

Trust Pay, a.s. offers several functionalities for card payments such as:

- Recurring payments processing
- Processing of the so-called card on file or quick deposit payments
- Option for MOTO transactions
- Full support for 3D Secure authentication
- The MultiCurrency service - processing of payments in any currency and making of payments in any supported settlement currency

Instant bank transfers

Instant bank transfers are an important alternative payment method that allows you to receive money in real time from customers to your payment accounts.

With one integration, merchants obtain "buttons" of Slovak and Czech banks allowing them to quickly and easily collect funds from customers. When making online payments, customers can choose from a list of supported banks from which to send money to merchants.

SEPA direct debit

It allows merchants to accept payments from their customers using yet another alternative payment method. After the customer signs the electronic mandate at the TrustPay payment website, the merchant is given the opportunity to debit the customer's bank account once or repeatedly based on the details agreed in the mandate. This alternative payment method allows merchants to efficiently collect recurring payments from their customers.

Trust Pay, a.s. regularly expands the portfolio of alternative payment methods offered to its clients, to include payment options such as PaySafeCard, Giroipay, EPS, iDEAL, Bancontact, MyBank, PayPal and many others.

POS terminals

Trust Pay, a.s. ensures the acceptance of payment card payments via POS terminals throughout the European Economic Area. The Company has been providing these services until February 2022. In the upcoming financial year, the Company does not intend to renew the project of accepting card-present payments in POS terminals.

ATM terminals

Trust Pay, a.s. offers cash withdrawals and other payment card transactions through ATM terminals (cash dispensers) throughout the European Economic Area. Through its business partners, it currently provides its services to customers in Slovakia, Hungary, and the Czech Republic.

In 2021/2022 it was also providing these services to customers in the United Kingdom. However, as a result of Brexit and the end of the Brexit-related transitional period, the Company ceased providing its services in the United Kingdom from September 2022.

OTHER INFORMATION

Research and development costs

In 2021/2022, the Company spent a total of EUR 30,935 on research and development of two significant projects, recognised as an expense in that period. These expenses related to the research phases of the two projects that were brought into use during 2021/2022. At the same time, various minor functionalities of existing products have been implemented. In 2020/2021, the Company has not made any significant research and development expenditures that would be recognised as an expense in that period.

As a part of its IT activities, the Company develops software for its internal use. During 2021/2022, some projects were put into use, and the costs of this SW in 2021/2022 amounted to EUR 393,004 (2020/2021: EUR 285,948). The total additions to the internally developed SW in 2021/2022 amounted to EUR 393,004 (2020/2021: EUR 491,643).

Ownership of shares, temporary stock, and business interests

In the accounting period ended 30 September 2022, the Company did not acquire any own shares and temporary stock.

Planned investments

The Company does not plan any significant investments for the next financial year.

Financial assets measured at fair value

As at 30 September 2022, the Company reports an equity interest in VISA Inc. in the form of Series C preferred shares with fair value of EUR 682 thousand (2021: EUR 1.3. million). The fair value of the VISA Inc. series C preferred shares was determined based on the market value of the common shares adjusted for the effect of restrictions associated with holding of the preferred shares.

In July 2022, a part (46.60%) of the value of the Series C VISA preferred shares was converted into Series A VISA preferred shares. The measurement at fair value was derived from the quoted prices of the Class A Common Shares using a fixed conversion ratio.

Throughout the year, the Series A VISA preferred shares were recognised as financial assets measured at fair value through profit or loss and was sold in August 2022. Due to normal changes in the quoted prices of Class A Common Shares affecting the fair value of the shares held by the Company, a loss of EUR 18,747 was recognised in 2021/2022.

Significant risks and uncertainties

The Company manages its capital so as to ensure the continuity of its business operations. Funds received by Trust Pay, a.s. are continuously held by its clients, who fully bear the foreign exchange risks arising from transactions in foreign currencies. The money received by the Company can be invested in low-risk and short-term products of commercial banks. So far, the Company has not used this option and has no specific plans to use it in the near future.

Currency risk to the Company is represented by the possibility of loss arising from adverse changes in foreign currency exchange rates pertaining to financial assets, receivables and liabilities denominated in foreign currencies.

Impact of the Company's activities on environment and employment

Due to the nature of the Company's operations, it does not negatively affect the environment in any way.

The Company has 82 employees as at 30 September 2022 (70 employees as at 30 September 2021), and it is not expected to significantly affect future employment in the region.

Proposed distribution of profit

The economic result for the current accounting period is an after-tax profit of EUR 10,232,363. The Board of Directors of the Company proposes to distribute the profit to the shareholders as dividend in the next accounting period.

Events after the date of the Financial Statements

1) In light of Russia's ongoing invasion of Ukraine, sanctions against Russia and the suspension of Visa and Mastercard's activities in Russia remain in place. Trust Pay, a.s. took action immediately following the invasion to bring its operations into compliance with these measures and applicable sanctions. Although Trust Pay, a.s. does not operate in areas directly affected by these ongoing events, it has implemented systematic restrictions and other sanctions-related controls to help prevent and detect prohibited activities.

The war in Ukraine and the economic sanctions against the Russian Federation do not have the capacity to significantly affect the economic activity of Trust Pay, a.s. as it has never actively operated in these countries.

2) On 8 September 2022, Trust Pay, a.s. submitted to the National Bank of Slovakia (NBS) an application for change of the previously granted licence for the provision of payment services. The subject of the change was the granting of a licence for the provision of an additional payment service, namely the "payment initiation service".

On 20 December 2022, Trust Pay, a.s. received the decision of the NBS dated 19 December 2022, which changed the licence for the provision of payment services by extending it to include a payment initiation service pursuant to the provision of Section 2(1)(g) of Act No 492/2009 Coll. on Payment Services and on Amendments to Certain Acts, as amended. This decision took effect on the same date, i.e., 20 December 2022.

On the basis of a proposal of Trust Pay, a.s. to change the registered particulars of the Company in the Commercial Register, Bratislava I District Court entered the new business activity (provision of a payment initiation service) in the Commercial Register of the Slovak Republic on 2 February 2023.

As at the date of this Annual Report, there were no other material events that would require a modification of the financial statements or additional recognition in the separate financial statements prepared as at 30 September 2022.

Expected future development of the Company

The Company is striving to adapt to the current situation in Slovakia and worldwide, adjusting its service offering to serve the growing demand in the payment services market. It is also optimising its operational processes to ensure flexibility in responding to changing market conditions, maintaining compliance with the requirements of regulatory authorities, and delivering high-quality service to its customers. Despite these efforts, the management is unable to accurately predict the future development of the market situation and therefore also the future development of the Company's economic result. The development of the Company's economic result will be influenced by global events and financial market developments in the coming months. Other factors that are challenging to predict include inflationary trends and shifts in consumer behavior. The war in Ukraine and the economic sanctions against the Russian Federation do not have the capacity to significantly affect the economic activity of Trust Pay, a.s. as it has never actively operated in these countries.