



Shopify International Limited

Directors' report and financial statements

Fiscal year ended 31 December 2023

Registered number 560279

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Directors and other information

Directors	Kasra Nejatian Caroline Kilduff Niall O'Brien
Registered office	2nd Floor, 1-2 Victoria Buildings Haddington Road, Dublin 4, Ireland
Company Secretary	Intertrust Management Ireland Limited 2nd Floor, 1-2 Victoria Buildings Haddington Road, Dublin 4, Ireland
Administrator	Intertrust Management Ireland Limited 2nd Floor, 1-2 Victoria Buildings Haddington Road, Dublin 4, Ireland
Independent auditor	PricewaterhouseCoopers One Bank Place Charlotte's Quay, Limerick Ireland
Bankers	Bank of America Europe DAC 2 Park Place, Hatch Street Dublin 2 Ireland
Solicitors	Matheson 70 Sir John Rogerson's Quay Dublin 2 Ireland

Shopify International Limited **Directors' Report**

The directors present their report and the audited financial statements of Shopify International Limited (the "Company") for the year ended 31 December 2023. The financial statements have been prepared in accordance with 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 101'), and with the Companies Act 2014.

Principal activities

Shopify is a leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a retail business of any size. Shopify makes commerce better for everyone with a software platform and services that are engineered for simplicity and reliability, while delivering a better shopping experience for consumers everywhere. The Company's software enables merchants to run their business across all of their sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces. The Shopify platform provides merchants with a single view of their business across all of their sales channels and enables them to manage products and inventory, process orders and payments, fulfill and ship orders, build customer relationships, source products, leverage analytics and reporting, and access financing, all from one integrated back office.

Shopify International Limited is responsible for developing and maintaining merchant and commercial operations throughout the EMEA & SA regions. The directors expect these activities to continue for the foreseeable future and will continue to review and seek business opportunities for the Company.

The Company was incorporated on 10 April 2015 and is 100 percent owned by parent company Shopify Inc.

The Company's headquarters and principal place of business are in Dublin, Ireland.

Business review

Shopify's commitment to its mission, to make commerce better for everyone, remained unwavering in 2023. Shopify continued to build mission critical solutions to power the future of commerce, signing and bringing more merchants of all sizes on to our commerce platform.

Below are some highlights from the year that further expanded our unified commerce operating system to enable merchants of all sizes to start, scale, and grow their businesses:

- Announced updated pricing for Basic, Shopify, and Advanced plans on 23 January 2023. New pricing went into effect for new merchants on 24 January 2023 and for existing merchants prior to 24 January 2023 on 23 April 2023.
- Launched Shopify Magic, a suite of AI-enabled features integrated across the Shopify platform, to make it easier for merchants to run their businesses
- Introduced Sidekick, an AI-enabled commerce assistant that allows merchants to use AI to increase productivity, improve workflows, make smarter decisions, and spend less time on operational tasks
- Powered by OpenAI's ChatGPT API, Shopify launched an AI shopping assistant on Shop, creating a fast and more personalized shopping experience for consumers that serves up more relevant product recommendations across Shop's millions of products
- Expanded availability of Shopify's all-in-one mobile point-of-sale system, POS Go, to the U.K. and Ireland
- Optimized Shopify Checkout for speed and conversion by redesigning the checkout to a streamlined one-page checkout experience and expanded its extensibility with new APIs and updates
- Launched Shopify Bill Pay, a tool that streamlines expense management by enabling merchants to manage and pay vendors directly in the Shopify admin
- Launched Commerce Components by Shopify ("CCS"), the modern, composable stack for enterprise retail. CCS combines access to Shopify's foundational, high-performing components along with flexible APIs to build dynamic customer experiences that integrate seamlessly with a retailer's preferred back office services

Shopify International Limited
Directors' Report

Business review (cont.)

This financial year was the Company's ninth year of trading. The Company earned turnover of US\$ 1,424,608,723 (2022: US\$ 1,057,933,798) with cost of sales totaling US\$ 516,151,409 (2022: US\$ 383,435,386). The Company incurred a profit after taxation for the financial year of US\$ 655,939,067 (2022 loss: US\$ 750,960,858). The fluctuation in the financial results is primarily driven by the unrealized net fair value gain on other financial assets of US\$ 424,789,109 (2022: loss of US\$ 792,446,436).

At the end of the reporting period, the Company's financial position showed net assets of US\$ 1,781,341,871 (2022: US\$ 1,085,057,416). Cash and cash equivalents amounted to US\$ 111,244,331 (2022: US\$ 98,848,608).

During the year, the Company entered into a strategic partnership agreement and received non-cash revenue consideration, as a result of services rendered in conjunction with the strategic partnership.

Future development

The Company will continue to grow the EMEA & SA region merchant base and partner community as well as perform merchant solutions, partner relationship and brand development activities, customer support process and strategic activities.

Principal risks and uncertainties

The key risks facing this Company and the manner in which these risks have been dealt with are disclosed in Note 18 of the financial statements. Whilst the Company is subject to various risks, these are mitigated by the support received from the parent company who is fully responsible for the obligations of the Company. The Board of directors ensures that risks are identified and managed in accordance with the objectives of the organization.

Results for the financial period and dividends

The profit and loss account for the financial period ended 31 December 2023 and the balance sheet as at that date are set out on pages 11 and 12. The profit for the financial period before taxation amounted to US\$ 690,422,852 (2022 loss: US\$ 743,375,518). The directors did not recommend the payment of a dividend for the year under review (2022: \$nil).

Directors

The names of persons who served as directors during the financial year are as follows. Except where indicated they served for the entire year.

Kasra Nejatian

Caroline Kilduff

Niall O'Brien

Directors' and secretary's interests

The directors and the Company secretary are set out on page 3. In accordance with section 329 of the Companies Act 2014, disclosure of the directors' and secretary interest has not been provided as the directors and secretary have no disclosable interests in the shares of the Company or aggregate interest in excess of 1% in the nominal value in the shares of a group Company.

In accordance with the Company's Articles of Association, the directors are not required to retire by rotation.

Transactions involving directors

There were no loans advanced to the directors at any time during the year. There were no contracts or arrangements in relation to the business of the Company in which the directors had any interest, as defined by Section 238 of the Companies Act 2014, at any time during the year.

Political and charitable contributions

The Company made no political donations or incurred any political expenditure during the financial year.

Shopify International Limited
Directors' Report

Research and development

The Company incurred US\$ 225,197,147 (2022: US\$ 122,371,134) of expenses related to research and development ("R&D"), including services from group entities, which were charged to the profit and loss account.

Post balance sheet events

On 15 April 2024 the Company paid interim dividends in the amount of US\$ 604,254,090 to its immediate parent.

There are no other subsequent events that require adjustment to or disclosure in these financial statements.

Going concern

The Company's financial statements for the financial period ended 31 December 2023 have been prepared on a going concern basis. The directors anticipate that the assets will continue to generate enough cash flow on an ongoing basis to meet the Company's liabilities as and when they fall due. The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The directors are also conscious of the continued reliance on its parent company, Shopify Inc. for its trading activities. After making inquiries and considering the letter of support obtained from its parent company, Shopify Inc, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore these entity financial statements have been prepared on a going concern basis.

Accounting records

The directors are responsible for ensuring that proper accounting records, as outlined in Section 281 to 285 of the Companies Act, 2014, are kept by the Company. The measures taken by the directors to ensure compliance with the Company's obligation to keep proper accounting records are the use of appropriate systems and procedures and by employing a service provider with appropriate expertise and by providing adequate resources to the financial function. The Company is responsible for the preparation and maintenance of the accounting records.

Statutory auditors

PricewaterhouseCoopers, Statutory Audit Firm, have expressed their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

- As far as director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the Company for the financial year. Under that law the directors have prepared the financial statements in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 Reduced Disclosure Framework and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Company for the financial year.

Shopify International Limited
Directors' Report

Statement of directors' responsibilities (cont.)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on a 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:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors 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.

Audit committee

The directors acknowledge the requirement under the Companies Act 2014, Section 167 to establish an Audit Committee or to explain why one has not been established if they decide not to establish such a committee. Due to the comprehensive set of structures already in place at Shopify International Limited's parent Company level, Shopify Inc., which includes management of internal control, risk review and financial reporting across the group, and a group Audit Committee function, the directors are of the opinion that there is already a sufficient level of independent monitoring and control existing through the activities of these various structures, not to warrant the establishment of an Audit Committee at the local Company level, which the directors believe would amount to a duplication of process. This matter will be kept under review by the directors. Accordingly, the Company has not established a stand-alone audit committee.

Directors' compliance statement

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.



The directors confirm that:

- (i) a statement (referred to in the Companies Act 2014 as a "compliance policy statement") setting out the Company's policies (that in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations has been drawn-up;
- (ii) appropriate arrangements or structures that are designed to secure material compliance with the Company's relevant obligations have been put in place.
- (iii) a formal review of the arrangements and structures referred to at (ii) has been conducted during the financial year ended 31 December 2023.

Business relationships

Directors of the Company engaged with suppliers, customers and others in a business relationship with the Company to foster the Company's business relationships.

The financial statements were approved by the Board of directors on 1 August 2024 and signed on its behalf by:

 <small>Kasra Nejatian (Aug 1, 2024 14:14 EDT)</small>	 <small>Caroline Kilduff (Aug 1, 2024 14:33 GMT+1)</small>
Kasra Nejatian Director	Caroline Kilduff Director



Independent auditors' report to the members of Shopify International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Shopify International Limited's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' report and financial statements, which comprise:

- the Balance sheet as at 31 December 2023;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
 - In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
 - The financial statements are in agreement with the accounting records.
-

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

A handwritten signature in blue ink, appearing to read 'John Daly'.



John Daly
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Limerick
1 August 2024

**Profit and loss account
for the financial year ended 31 December 2023**

		For the year ended	
		31 December 2023	31 December 2022
	Note	US\$	US\$
Turnover	4	1,424,608,723	1,057,933,798
Cost of sales		(516,151,409)	(383,435,386)
Gross profit		908,457,314	674,498,412
Administrative expenses		(642,823,571)	(625,427,494)
Net income/(loss) from other financial assets	5	424,789,109	(792,446,436)
Profit/(loss) before taxation	6	690,422,852	(743,375,518)
Tax on profit/(loss)	8	(34,483,785)	(7,585,340)
Profit/(loss) for the financial year		655,939,067	(750,960,858)

All amounts arose from continuing operations.

The Company had no other comprehensive income, therefore, no separate statement of comprehensive income has been presented.

 <small>Kusra Nejatian (Aug 1, 2024 12:34 EDT)</small>	 <small>Caroline Kilduff (Aug 1, 2024 12:33 GMT+1)</small>
Kusra Nejatian <i>Director</i>	Caroline Kilduff <i>Director</i>

Balance sheet
As at 31 December 2023

	Note	As at	
		31 December 2023	31 December 2022
		US\$	US\$
Fixed assets			
Intangible assets	9	231,834,504	262,535,929
Tangible assets	10	769,555	1,194,544
Financial assets	11	1,002,914,850	542,322,637
		<u>1,235,518,909</u>	<u>806,053,110</u>
Current assets			
Cash in bank and in hand	12	111,244,331	98,848,608
Debtors	13	685,009,351	431,904,340
Stocks	14	1,435,538	1,046,157
Deferred tax asset	15	4,055,395	2,660,624
		<u>801,744,615</u>	<u>534,459,729</u>
Creditors: amounts falling due within one year	16	(198,862,421)	(164,066,853)
Net current assets		<u>602,882,194</u>	<u>370,392,876</u>
Total assets less current liabilities		<u>1,838,401,103</u>	<u>1,176,445,986</u>
Creditors: amounts falling due after more than one year	17	(57,059,232)	(91,388,570)
Net assets		<u>1,781,341,871</u>	<u>1,085,057,416</u>
Capital and reserves			
Called up share capital	20	548,001,917	548,001,917
Share Premium	20	84,378,118	84,378,118
Other reserves	21	86,961,670	46,616,282
Retained earnings		<u>1,062,000,166</u>	<u>406,061,099</u>
		<u>1,781,341,871</u>	<u>1,085,057,416</u>

The notes on pages 14 to 33 are an integral part of these Financial Statements.

The Financial Statements on pages 11 to 33 were authorized for issue by the Board of directors on 1 August 2024 and were signed on its behalf.

<i>Kasra Nejatian</i>	<i>Caroline Kilduff</i>
<small>Kasra Nejatian (Aug 1, 2024 14:14 EDT)</small>	<small>Caroline Kilduff (Aug 1, 2024 14:00 MT+1)</small>
Kasra Nejatian	Caroline Kilduff
Director	Director

**Statement of changes in equity
for the financial year ended 31 December 2023**

		Called up share capital - presented as equity	Share premium	Other reserves	Retained earnings	Total
	Note	US\$	US\$	US\$	US\$	US\$
As at 1 January 2022		548,001,916	—	40,020,304	1,157,021,957	1,745,044,177
Total comprehensive loss for financial year		—	—	—	(750,960,858)	(750,960,858)
Total transactions recognised directly in equity	21	—	—	6,595,978	—	6,595,978
Issue of shares	20	1	84,378,118	—	—	84,378,119
Balance at 31 December 2022		548,001,917	84,378,118	46,616,282	406,061,099	1,085,057,416
Total comprehensive profit for financial year		—	—	—	655,939,067	655,939,067
Total transactions recognised directly in equity	21	—	—	345,388	—	345,388
Capital contributions	21	—	—	40,000,000	—	40,000,000
Balance at 31 December 2023		548,001,917	84,378,118	86,961,670	1,062,000,166	1,781,341,871

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023

1. General information

Shopify International Limited ("Shopify International" or the "Company") was incorporated on 10 April 2015 and is domiciled in the Republic of Ireland. The Company is 100% owned by parent company Shopify Inc.

Shopify International Limited has number of subsidiaries as outlined in note 11. As Shopify International Limited is included in consolidated accounts of Shopify Inc., it is exempt, by virtue of section 300 of the Companies Act 2014, from the requirement to prepare group financial statements. The address of the ultimate parent's registered office is 151 O'Connor Street, Ground Floor, Ottawa, Ontario, Canada, K2P 2L8.

Shopify is a leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a retail business of any size. Shopify makes commerce better for everyone with a software platform and services that are engineered for simplicity and reliability, while delivering a better shopping experience for consumers everywhere. The Company's software enables merchants to run their business across all of their sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces. The Shopify platform provides merchants with a single view of their business across all of their sales channels and enables them to manage products and inventory, process orders and payments, fulfill and ship orders, build customer relationships, source products, leverage analytics and reporting, and access financing, all from one integrated back office. Shopify International provides these tools to merchants located in the European, Middle Eastern, African and South American regions.

The Company's headquarters and principal place of business are in Dublin, Ireland. The address of its registered office is 2nd Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland.

These financial statements are the Company's separate financial statements for the year beginning at 1 January 2023 and ending 31 December 2023.

2. Material accounting policies

The material accounting policies used in the preparation of the entity financial statements are set out below.

The Company is exempt, by virtue of Section 300 of the Companies Act 2014, from the requirement to prepare Consolidated financial statements. These statements present information about the Company as an individual undertaking and not about its group.

(a) Basis of preparation

The financial statements of Shopify International Limited have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2014. FRS 101 has been adopted since 1 January 2018.

(b) Going concern

The Company's financial statements for the period ended 31 December 2023 have been prepared on a going concern basis. The directors anticipate that the assets will continue to generate enough cash flow on an ongoing basis to meet the Company's liabilities as they fall due. The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The directors are also conscious of the continued reliance on its parent company, Shopify Inc. for its trading activities. After making inquiries and considering the letter of support obtained from its parent company, Shopify Inc, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, these entity financial statements have been prepared on a going concern basis.

2. Material accounting policies (cont.)

(c) Exemptions from IFRS requirements under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations', can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraph 33(c) of IFRS 5 'Non-current assets held for sale and discontinued operations' can be omitted, provided that equivalent disclosures are included in consolidated financial statements of the group in which entity is consolidated.
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- Paragraph 38 of IAS 1 'Presentation of financial statements' - comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B–D (additional comparative information);
 - 111 (statement of cash flows information); and
 - 134–136 (capital management disclosures).
 - 40A-D (requirements for third statement of financial position).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'(requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 & 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

The Company financial statements are presented within the consolidated financial statements of Shopify Inc. and the relevant disclosures are included therein.

Shopify International Limited

Notes to the financial statements

for the financial year from 1 January 2023 to 31 December 2023 (continued)

2. Material accounting policies (cont.)

(d) Functional and presentation currency

The functional and reporting currency of the Company is the United States Dollar (US\$). Monetary assets and liabilities denominated in foreign currencies are re-measured to United States dollars using the exchange rates at the statement of financial position dates. Non-monetary assets and liabilities denominated in foreign currencies are measured in United States dollars using historical exchange rates. Turnover and expenses are measured using the actual exchange rates prevailing on the dates of the transactions. Gains and losses resulting from re-measurement are recorded in the Company's statement of profit and loss.

(e) Turnover

The Company's sources of revenue consist of subscription solutions and merchant solutions.

Subscription Solutions

For services where the performance obligation is to provide merchants with access to the Shopify platform, such as Online Subscriptions and Point-of-Sale ("POS") Pro subscriptions, revenue is recognized over time on a ratable basis over the contractual term. Certain subscription contracts have a transaction price that includes a variable component that is based on the merchants' volume of sales. In such cases, the Company recognizes revenue when the merchant's sale occurs, the variable price becomes known, and it has a right to invoice. Payments received in advance of services being rendered are recorded as deferred revenue and recognized ratably over time, over the requisite service period.

Revenue from the sale of separately priced apps and themes is recognized at a point in time, when the arrangement between the merchant and partner is established. Revenue from the sale of rights to use a domain name that is sold separately is recognized ratably over time, over the contractual term, which is generally an annual term.

Merchant Solutions

The Company offers a variety of merchant solutions, which are primarily transaction based, to augment those provided through a subscription and to address the broad array of functionality merchants commonly require.

For services where the performance obligation is to process payments for the Company's merchants, from such services as Shopify Payments, Transaction Fees, revenues are recognized at a point in time, at the time of the transaction.

The Company earns referral fees from third parties to whom it directs business pursuant to agreements with such partners. Related revenues can be recurring or non-recurring and are recognized once the arrangement between the partner and customer has been made or over the expected term of the contract. In connection with certain referral revenue contracts with partners, the Company receives a component of the transaction price in non-cash consideration in the form of equity in the partner at the outset of the contract. When the transaction price includes non-cash consideration, the non-cash consideration is measured as the fair value at the inception of the contract, and any changes in fair value of the equity investments after contract inception are excluded from revenue, and classified as fair value gain or loss in the profit and loss accounts.

For merchant cash advances ("MCAs") services, the performance obligations associated with these services is to arrange and provide funding to merchants. MCAs are facilitated by the Company and originated by bank partners, from whom the Company then purchases the MCAs, obtaining all rights, title, and interest or discount for a fee calculated as a percentage of the MCA's. Revenues are presented net of any deferred origination fees which are amortized over the contractual or expected term of the loan or MCA. The Company applies a percentage of the remittances collected against the merchant's receivable balance, and a percentage, which is related to the discount, as merchant solutions revenue.

Other revenue generating services and products to merchants include, but are not limited to, the sale of shipping labels, and the sale of POS hardware. Revenue is recognized when services are performed, or as ownership passes to the merchant.

2. Material accounting policies (cont.)

(e) Turnover (cont.)

For revenue streams that involve another party that contributes to providing a specified service to a customer, the Company determines whether it is the principal or an agent. In these instances, the Company determines whether it has promised to provide the specified service itself (as principal) or to arrange for the specified service to be provided by another party (as an agent). This determination depends on the facts and circumstances of each arrangement and, in some instances, involves significant judgment. The Company recognizes revenue from certain services, such as the sale of shipping labels, the sale of apps, and the sale of themes on a net basis as the Company is the agent in the arrangement with customers. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the respective arrangements.

Sales taxes collected from merchants and remitted to government authorities are excluded from revenue.

The Company's arrangements with customers can include multiple performance obligations, which may consist of some or all of the Company's subscription solutions. The total transaction price is determined at the inception of the contract and allocated to each performance obligation based on their relative standalone selling prices. In the case of merchant solutions, the transaction price for each performance obligation is based on the observable standalone selling price for each performance obligation. The transaction price for multiple merchant solutions is never a bundled price, therefore a relative allocation is not required.

The Company generally receives payment from its merchants at the time of invoicing. In all other cases, payment terms and conditions vary by contract type, although terms generally include a requirement for payment within 30 days of the invoice date.

Support Services

Revenue is recognised in the accounting period when the costs are incurred, i.e. over time.

(f) Cost of sales

The Company's cost of revenues related to subscription solutions consist of third-party infrastructure, hosting costs and other direct costs, an allocation of costs incurred by both the operations and support functions, credit card fees related to billing our merchants, and payments for domain registration.

The Company's cost of sales related to merchant solutions include payment processing and interchange fees related to Shopify Payments, credit card fees related to billing its merchants, product costs associated with expanding our product offerings, POS hardware costs, and third-party infrastructure and hosting costs.

The Company's cost of sales related to support services consists of costs associated with employee salaries and other remuneration, an allocation of costs incurred by the support function.

(g) Taxation

Income tax expense comprises current tax and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly as equity, in which case it is recognised as equity. Current tax is based on taxable profit for the financial year as calculated in accordance with the Irish Tax Laws. Taxable profit differs from profit before tax as reported in the statement of profit and loss because it excludes items of income or expense that are not taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

2. Material accounting policies (cont.)

(g) Taxation (cont.)

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

(h) Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Purchased intellectual property is amortized over a period of three to ten years. Amortization is recorded into administrative expenses or cost of sales, depending on the nature of the asset.

(i) Tangible assets

Tangible assets are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

- Computer equipment is depreciated over the lesser of three years and their estimated useful lives
- Office furniture and equipment are depreciated over four years.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. The gain and loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss. Any costs, such as repair and maintenance, are charged to the profit and loss during the year in which they are incurred.

(j) Impairment of the assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Share capital presented as equity

Share capital is issued in Euro. Dividends are recognised as liabilities in the financial year in which they are approved. No dividends were approved during the year.

(l) Financial assets

Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Shopify International Limited

Notes to the financial statements

for the financial year from 1 January 2023 to 31 December 2023 (continued)

2. Material accounting policies (cont.)

(l) Financial assets (cont.)

Investments in other equity securities

Strategic investments are a part of the Company's strategy and use of capital, expanding its expertise and building strong partnerships around strategic initiatives. The Company holds equity and other investments in public companies with readily determinable fair values, as well as in private companies without readily determinable fair values. Equity and other investments in publicly traded companies with readily determinable fair values and equity and other investments in private companies are carried at fair value at each balance sheet date and any movements in the fair value are recognized in the profit and loss account.

Shopify International Limited classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income (FVOCI)
- equity investments that are held for trading
- equity investments for which entity has not elected to recognize fair value gains and losses through OCI.

Debt instruments

The carrying amounts for cash and cash equivalents, investments in other equity securities, trade and other receivables, merchant cash advances receivable, trade accounts payable and accruals, and employee-related accruals approximate fair value due to the short-term maturities of these instruments.

Amounts owed by (owed to) group undertaking

The Company participates in an intragroup cash pooling arrangement, which involves the transfer of cash amounts and balances with related parties to an intragroup cash pooling entity. The amounts are measured at amortized costs. The amounts placed with the cash pooling entity are included in the 'amounts owed by (owed to) group undertaking' in Notes 13 and 16. The amounts in this arrangement are subject to interest.

(m) Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value based on applicable accounting guidance, using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

(n) Provision for credit losses related to merchant cash advances

Merchant cash advance receivables represent the aggregate amount of Shopify Capital related receivables owed by merchants as of the balance sheet date, net of an allowance for expected credit losses.

The Company estimates the provision based on an assessment of various factors, including historical trends, merchants' gross merchandise volume (GMV), supportable forecasted information and other factors, including macroeconomic factors, that may affect the merchants' ability to make future payments on the receivables. Additions to the provision are reflected in current operating results, while charges against the provision are made when losses are incurred. These additions are classified within administrative expenses in the profit and loss account. Recoveries are reflected as a reduction in the allowance for credit losses related to merchant cash advances when the recovery occurs.

2. Material accounting policies (cont.)

(o) Offset of financial instruments

The financial assets and financial liabilities are offset when there is a legally enforceable right to offset and where there is intention to settle the balances on a net basis.

(p) Stocks

The Company holds stocks related to its POS hardware. Stocks are stated at the lower of cost and estimated selling price less costs to sell. Stocks are written down for estimated obsolescence equal to the difference between inventory cost and estimated selling price less costs to sell based on a combination of historical usage and assumptions based on expected usage related to estimated future merchant and market demands. The Company utilizes the first-in, first-out (FIFO) method for determining the cost of stocks.

(q) Share based payments

On September 1, 2022, the Company launched its new employee compensation system ("Flex Comp"), which provides employees with a single total compensation amount that is to be allocated between cash, stock options and restricted share units ("RSUs") at the discretion of the employees, subject to certain restrictions around minimum and maximum allocations between cash and stock-based compensation. For the portion of their total compensation that employees allocate to stock-based compensation, the Company began granting stock options and RSUs quarterly that generally vest on a monthly basis over a period of three months. Flex Comp was optional for employees at the time of launch. For those who choose not to enter into the new system there is no change to their compensation or the related stock-based compensation accounting.

Share-based compensation benefits are provided to employees. Information relating to these schemes is set out in note 19.

Share options

The fair value of stock options is determined using the Black-Scholes option-pricing model, single option approach. An estimate of forfeitures is applied when determining compensation expense. The Company determines the fair value of stock option awards on the date of grant using assumptions regarding expected term, share price volatility over the expected term of the awards, risk-free interest rate, and dividend rate. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in liabilities for a parent company and equity.

Restricted share units

Under the employee share scheme, shares issued to employees for no cash consideration which vest over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. On the grant date, the market value of the shares issued with applied forfeiture rate is recognised as an employee benefits expense with a corresponding increase in equity.

3. Critical accounting judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the reported period. Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

There were no particular judgements made by the directors, apart from estimates, which had a significant effect on the amounts recognised in the entity financial statements.

(b) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3. Critical accounting judgements and estimation uncertainty (cont.)

(b) Critical accounting estimates and assumptions (cont.)

Impairment and fair value of financial assets

The directors make an assessment at the end of each financial year, whether there are any impairment indicators which might suggest that investments in other group Companies are potentially impaired. If an asset is impaired the impairment loss is the difference between the carrying amount and present value of the future cash flows expected to be derived from the asset. Any loss is recognised in the profit or loss account. See note 11 a) for the carrying amount of investments at 31 December 2023. No impairment loss was recognised in the financial period.

Investments in equity and other securities are accounted for at fair value as at balance sheet date. Fair value for the investment in listed entities is determined according to quoted prices in active markets. For the investment in unlisted entities, fair value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. See note 11(b) for the carrying amount of investments at 31 December 2023.

Intangible and tangible assets

The amortization of intangible assets and annual depreciation on tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are reviewed annually. See note 10 for the carrying amount of the tangible assets. The useful economic life for each class of intangible and tangible asset is outlined within note 2(h) and 2(i).

Impairment of intangible assets

The directors make an assessment at the end of each financial year, whether there are any impairment indicators which might suggest that intangible assets are potentially impaired. If an asset is impaired the impairment loss is the difference between the carrying amount and present value of the future cash flows expected to be derived from the asset. Any loss is recognised in the profit or loss account. See note 9 for the carrying amount of intangible assets at 31 December 2023. No impairment loss was recognised in the financial period.

Deferred revenue

Included in the deferred revenue disclosed in Notes 16 and 17 is non-cash consideration amounts received in connection with certain revenue contracts with customers. The Company, from time to time, receives non-cash consideration in the form of equity investments in the customer as a component of the transaction price. When the transaction price includes non-cash consideration, the non-cash consideration is measured as the fair value at the inception of the contract, and any changes in fair value of the equity investments after contract inception are excluded from revenue, and classified as fair value gain or loss in profit and loss statement. The estimated fair value of such non-cash consideration is determined using multiple valuation techniques, including the income approach and the market approach. Revenue is deferred and recognized over time on a ratable basis over the expected terms of the contracts with customers, which are typically three to seven years in length.

4. Turnover

The total turnover of the Company for the year US\$ 1,424,608,723 (2022: US\$ 1,057,933,798) has been primarily derived from its principal activity. The principal services are disclosed in note 2(e).

A geographical analysis or analysis by revenue category is not disclosed as the directors are of the opinion that it would be seriously prejudicial to the interest of the Company.

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

5. Net (income)/loss from other financial assets

	2023	2022
	US\$	US\$
Fair value (gain)/loss on listed equity securities	(423,368,689)	757,857,563
Fair value (gain)/loss on unlisted equity securities	(1,420,420)	34,588,873
	<u>(424,789,109)</u>	<u>792,446,436</u>

6. Profit/(loss) before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	2023	2022
	US\$	US\$
Research and development expenditure	225,197,147	122,371,134
Amortisation charge on intangible assets	40,559,996	40,340,609
Inventory recognised as an expense	2,290,138	1,347,469
Depreciation charge on property, plant and equipment	10 692,165	897,710
Fee payable to company's auditor	118,319	186,865
Loss on disposal of assets	10 33,872	2,730
Directors' fees	7 —	16,624
Foreign exchange (gain)/ loss	(3,067,602)	12,821,135
Unrealised (gain)/ loss on investments	5 (424,789,109)	792,446,436

7. Wages and salaries

(a) Staff costs

	2023	2022
	US\$	US\$
Wages and salaries	52,742,000	50,319,686
Share-based payments (note 19)	19,344,389	20,342,490
Social security costs	4,798,145	4,955,843
	<u>76,884,534</u>	<u>75,618,019</u>

Staff costs are recorded into administrative expenses.

The average monthly number of persons employed by the Company during the year was:

	2023	2022
	No.	No.
By activity		
Sales and marketing	571	707
Research and development	51	64
General and administrative	80	95
	<u>702</u>	<u>866</u>

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

7. Wages and salaries (cont.)

(b) Directors' emoluments

	2023	2022
	US\$	US\$
Benefits under long-term incentive schemes	7,612,790	2,238,111
Emoluments	1,283,982	635,719
Sums paid to third parties for directors' services	—	16,624
	8,896,772	2,890,454

Contributions to retirement benefit schemes of US\$ 3,786 were made during the financial year 2023 (2022: US\$ 4,642).

No amount has been paid to Intertrust Management Ireland Limited for making Anna Alves available to serve as a director of Shopify International Limited (2022: US\$ 16,624). Anna Alves resigned as Director on 1 December 2022.

8. Taxation on profit/ (loss)

Tax on profit/ (loss) expense included in profit and loss:

	2023	2022
	US\$	US\$
Current tax expense	35,878,556	7,916,659
Deferred tax credit	(1,394,771)	(331,319)
Tax on profit/(loss)	34,483,785	7,585,340

Tax rate reconciliation provided below.

	2023	2022
	US\$	US\$
Profit/(loss) before taxation	690,422,852	(743,375,518)
Profit/(loss) multiplied by standard rate of corporation tax in Ireland of 12.5% (2022: 12.5%)	86,302,857	(92,921,940)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	102,792	781,571
Adjustment to tax charge in respect of prior years	103,862	424,033
Income taxable at higher rates	1,072,913	245,871
Non-taxable (loss)/gain on investments	(53,098,639)	99,055,805
Tax charge for the year	34,483,785	7,585,340

The tax rate for the current year is the same as the prior year.

Shopify International Limited**Notes to the financial statements****for the financial year from 1 January 2023 to 31 December 2023 (continued)****8. Taxation on profit/ (loss) (cont.)**

As a result of ongoing operations, the recognition of deferred tax assets, and utilization of all applicable tax attributes, the Company had a provision for income taxes of US\$ 34,483,785 in 2023 (2022: US\$ 7,585,340).

The Government of Ireland, the jurisdiction in which Shopify International Limited is incorporated, transposed the Global Minimum Tax Pillar Two rules into domestic legislation as part of the Finance (No. 2) Act 2023 (the 'Finance Act'). The Finance Act closely follows the EU Minimum Tax Directive and OECD Guidance released to date. The Pillar Two rules apply a 15% effective tax rate on profits and the Company is within the scope of these rules from 1 January 2024.

As the Pillar Two legislation was not effective for the Company in respect of the year ended 31 December 2023, the Company has no related current tax exposure. The Company applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

9. Intangible Assets

	Intellectual Property Rights
	US\$
Cost	
As at 1 January 2022	404,500,000
Additions	626,538
Disposals	—
As at 31 December 2022	405,126,538
Additions	9,858,571
Disposals	—
As at 31 December 2023	414,985,109
Accumulated Depreciation	
As at 1 January 2022	102,250,000
Charge for the year	40,340,609
Disposals	—
As at 31 December 2022	142,590,609
Charge for the year	40,559,996
Disposals	—
As at 31 December 2023	183,150,605
Carrying amount at 31 December 2023	231,834,504
Carrying amount at 31 December 2022	262,535,929

The software intangible assets include the EMEA & SA region relationship and territory rights Shopify Inc. sold to the Company on 1 July 2019. As at 31 December 2023, the asset is carried at US\$ 221,650,000 (2022: US\$ 261,950,000) and has a remaining amortization period of 5.5 years (2022: 6.5 years) on a straight-line basis. There are no other individual material intangible assets.

Intangible asset amortization is recorded in the cost of sales and administrative expenses in the profit and loss account.

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

10. Tangible assets

	Computer Equipment General	Furniture & Equipment	Total
	US\$	US\$	US\$
Cost			
As at 1 January 2022	2,474,191	12,245	2,486,436
Additions	1,259,289	—	1,259,289
Disposals	(834,881)	—	(834,881)
As at 31 December 2022	2,898,599	12,245	2,910,844
Additions	301,048	—	301,048
Disposals	(175,636)	—	(175,636)
As at 31 December 2023	3,024,011	12,245	3,036,256
Accumulated Depreciation			
As at 1 January 2022	1,644,946	2,114	1,647,060
Charge for the year	894,649	3,061	897,710
Disposals	(828,470)	—	(828,470)
As at 31 December 2022	1,711,125	5,175	1,716,300
Charge for the year	687,892	4,273	692,165
Disposals	(141,764)	—	(141,764)
As at 31 December 2023	2,257,253	9,448	2,266,701
Carrying amount at 31 December 2023	766,758	2,797	769,555
Carrying amount at 31 December 2022	1,187,474	7,070	1,194,544

During the financial year, tangible fixed assets were disposed of with a cost of US \$175,636 (2022: US\$ 834,881) and accumulated depreciation of US \$141,764 (2022: US \$832,151). The loss on disposal of these tangible fixed assets was US \$33,872 (2022: US\$ 2,730).

11. Financial assets

Financial assets includes the following:

	2023	2022
Note	US\$	US\$
Financial assets carried at cost	11(a) 75,924,003	40,300,480
Financial assets at fair value through profit and loss	11(b) 926,990,847	502,022,157
	1,002,914,850	542,322,637

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

11. Financial assets (cont.)

(a) Investments in subsidiaries

	2023	2022
	US\$	US\$
At 1 January	40,300,480	40,290,546
Additions	35,623,523	9,934
Disposals	—	—
At 31 December	75,924,003	40,300,480
Analysed as:		
Shopify (Australia) Pty Ltd	35,623,623	100
Shopify Lithuania UAB (formerly Oberlo UAB)	10,938,983	10,938,983
Shopify Commerce India Private Limited	782,224	782,224
Shopify UK Limited	9,131,031	9,131,031
Shopify Commerce New Zealand Limited	72	72
Shopify Japan Kabushiki Kaisha	8,841	8,841
Shopify Sweden AB (formerly Tictail AB)	19,422,615	19,422,615
Shopify Commerce France, SAS	1,183	1,183
Shopify Commerce Poland sp. z.o.o.	1,280	1,280
Shopify Commerce Netherlands B.V.	118	118
Shopify Commerce Spain S.L.	4,099	4,099
Shopify Commerce Italy S.r.l.	9,934	9,934
	75,924,003	40,300,480

Financial asset investments comprise equity shares in those entities listed above, none of which are publicly traded. As at 31 December 2023 the Company had interests in the following subsidiaries:

Subsidiary	Type of shares held	Proportion held	Country of incorporation	Nature of business
Shopify (Australia) Pty Ltd	Ordinary shares	100%	Australia	Incorporated to pursue commerce opportunities in Australia
Shopify Lithuania UAB	Ordinary shares	100%	Lithuania	Acquisition of Oberlo - provides R&D services
Shopify Commerce India Private Limited	Ordinary shares	99.9%	India	Incorporated to pursue commerce opportunities in India
Shopify UK Limited	Ordinary shares	100%	United Kingdom	Incorporated to pursue commerce opportunities in the UK
Shopify Commerce New Zealand Limited	Ordinary shares	100%	New Zealand	Incorporated to pursue commerce opportunities in New Zealand
Shopify Japan Kabushiki Kaisha	Ordinary shares	100%	Japan	Incorporated to pursue commerce opportunities in Japan
Shopify Sweden AB	Ordinary shares	100%	Sweden	Acquisition of Tictail AB - provides R&D services
Shopify Commerce France, SAS	Ordinary shares	100%	France	Incorporated to pursue commerce opportunities in France
Shopify Commerce Poland sp. z.o.o.	Ordinary shares	100%	Poland	Incorporated to pursue commerce opportunities in Poland
Shopify Commerce Netherlands B.V.	Ordinary shares	100%	Netherlands	Incorporated to pursue commerce opportunities in Netherlands
Shopify Commerce Spain S.L.	Ordinary shares	100%	Spain	Incorporated to pursue commerce opportunities in Spain
Shopify Commerce Italy S.r.l.	Ordinary shares	100%	Italy	Incorporated to pursue commerce opportunities in Italy

The carrying amount at 31 December 2023 is US\$ 75,924,003 (2022: US\$ 40,300,480).

Shopify International Limited**Notes to the financial statements****for the financial year from 1 January 2023 to 31 December 2023 (continued)****11. Financial assets (cont.)****(b) Financial assets at fair value through profit or loss**

Financial assets through profit or loss accounting policy is described in note 2(l). Financial assets mandatorily measured at FVPL include the following:

	2023	2022
	US\$	US\$
Non-current assets		
Unlisted equity securities	52,500,000	50,900,000
Listed equity securities	874,490,847	451,122,157
	926,990,847	502,022,157

Amounts recognised in profit or loss:

		2023	2022
		US\$	US\$
Net fair value gains/ (losses) on equity investments	Note 5	424,789,109	(792,446,436)
		424,789,109	(792,446,436)

Risk exposure and fair value measurements

Information about the Company's exposure to price risk is provided in note 18.

As indicated in note 2(c) exemptions from IFRS requirements under FRS 101, the Company has elected to avail of an exemption of Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

12. Cash at bank and in hand

As at 31 December 2023:

	2023	2022
	US\$	US\$
Cash and cash equivalents	111,244,331	98,848,608
	111,244,331	98,848,608

13. Debtors

	2023	2022
	US\$	US\$
Amounts owed by group undertakings	543,377,707	296,991,049
Merchants cash advances ('MCA')	66,840,154	72,840,521
Trade receivables	30,425,368	26,042,531
Prepayments, deposits and accrued income	18,447,673	13,797,155
Indirect taxes receivable	15,726,054	12,242,584
Capitalised commissions costs	10,170,336	3,619,758
Corporate taxes receivable	—	6,269,437
Other receivables	22,059	101,305
	685,009,351	431,904,340

Shopify International Limited**Notes to the financial statements****for the financial year from 1 January 2023 to 31 December 2023 (continued)****13. Debtors (cont.)**

Amounts owed by group undertakings of US\$ 586,359,461 (2022: nil) represents the Company's participation in an intragroup cash pooling arrangement. These funds are unsecured, subject to interest, and do not have a fixed repayment date; they are repayable upon demand. This amount is offset by other unsecured amounts owed by group undertakings, which are interest-free, without a fixed repayment date, and repayable upon demand.

Trade receivables are stated after provisions for impairment of US\$ 25,132,296 (2022: US\$ 15,460,151).

14. Stocks

	2023	2022
	US\$	US\$
POS hardware	1,435,538	1,046,157
	1,435,538	1,046,157

Stocks recognised as an expense in the period were US\$ 2,290,138 (2022: US\$ 1,347,469). There is no significant difference between the replacement cost of stocks and their carrying value.

15. Deferred tax asset**Tax expense included in profit and loss:**

	2023	2022
	US\$	US\$
As at 1 January 2023	2,660,624	2,329,305
Movement of year (Note 8)	1,394,771	331,319
As at 31 December 2023	4,055,395	2,660,624

The deferred tax asset arises primarily on the timing difference on deductions for tax on share-based compensation.

16. Creditors: amounts falling due within one year

	2023	2022
	US\$	US\$
Deferred revenue	91,103,864	100,011,233
Amounts owed to group undertakings	60,544,203	39,802,440
Other creditors	18,961,756	10,031,167
Trade accruals	15,799,015	8,295,454
Indirect sales taxes payable	7,999,179	3,838,974
Corporate taxes payable	2,193,210	—
Trade accounts payable	1,303,497	1,891,044
Payroll liabilities	957,697	196,541
	198,862,421	164,066,853

Amounts due to group undertakings of US\$ (8,586,915) (2022: nil) represents the Company's participation in an intragroup cash pooling arrangement. These funds are unsecured, subject to interest, and do not have a fixed repayment date; they are repayable upon demand. This amount is offset by other unsecured amounts due to group undertakings, which are interest-free, without a fixed repayment date, and repayable upon demand.

Shopify International Limited**Notes to the financial statements****for the financial year from 1 January 2023 to 31 December 2023 (continued)****16. Creditors: amounts falling due within one year (cont.)**

Trade and other creditors are payable at various dates in the three months after the year end of the year in accordance with creditors usual and customary credit terms. Creditors for tax and social insurance are payable in the time frame set down in the relevant legislation.

Revenue recognised in the reporting period that was included in deferred revenue at the beginning of the period was US\$ 100,011,233 (2022: US\$ 67,755,579)

Within total deferred revenue outlined above, non-cash consideration represents a significant portion of the balance as at 31 December 2023 and 31 December 2022. Deferred revenue associated with this non-cash consideration was US\$ 40,050,384 (2022: US\$ 65,173,506) of amounts falling due within one year.

17. Creditors: amounts falling due after more than one year

	2023	2022
	US\$	US\$
Deferred revenue	57,059,232	91,388,570
	<u>57,059,232</u>	<u>91,388,570</u>

Deferred revenue associated with this non-cash consideration was US\$ 55,673,617 (2022: US\$ 88,615,137) of amounts falling due after more than one year.

18. Financial instruments and risk management**(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and securities prices will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i. Interest risk

The Company is not exposed to material interest rate risk.

ii. Foreign currency risk

The Company's exposure to foreign exchange risk is primarily related to fluctuations between the Euro and the United States dollar. The Company is exposed to foreign exchange fluctuations on the revaluation of foreign currency assets and liabilities.

(b) Credit risk

The Company's cash in bank subjects the Company to concentrations of credit risk. Management mitigates the risk associated with cash and cash equivalents by making deposits with large banks and financial institutions that are considered to be highly credit worthy. At the end of the reporting period, financial assets exposed to credit risk include cash and cash equivalents, trade and other receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

The Company's credit risk is assessed by each customer separately. As at 31 December 2023, the most substantial trade receivables comprised receivable from group undertakings, amounting to 79.32% (2022: 68.76%) of the Company's total receivables.

The Company periodically performs reviews of its trade receivables, and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

Shopify International Limited**Notes to the financial statements****for the financial year from 1 January 2023 to 31 December 2023 (continued)****18. Financial instruments and risk management (cont.)****(b) Credit risk (cont.)**

The Company has mitigated some of the risks associated with Shopify Capital by opening insurance policies with Export Development Canada ("EDC"), a wholly-owned corporation of the Government of Canada, who is AAA rated as at 31 December 2023.

As at 31 December 2023, the Company primarily held its cash with Bank of America (Standard & Poor's rating: A+).

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The following are the contractual maturities of financial liabilities:

As at 31 December 2023

	Carrying amount	Gross contractual	Less than 1 year	2 years to 5 years	Over 5 years
	US\$	US\$	US\$	US\$	US\$
Amounts owed to group undertakings	60,544,203	60,544,203	60,544,203	—	—
Other creditors	18,961,756	18,961,756	18,961,756	—	—
Trade accruals	15,799,015	15,799,015	15,799,015	—	—
Indirect sales taxes payable	7,999,179	7,999,179	7,999,179	—	—
Trade accounts payable	1,303,497	1,303,497	1,303,497	—	—
Payroll liabilities	957,697	957,697	957,697	—	—
Total	105,565,347	105,565,347	105,565,347	—	—

As at 31 December 2022

	Carrying amount	Gross contractual	Less than 1 year	2 years to 5 years	Over 5 years
	US\$	US\$	US\$	US\$	US\$
Amounts owed to group undertakings	39,802,440	39,802,440	39,802,440	—	—
Other creditors	10,031,167	10,031,167	10,031,167	—	—
Trade accruals	8,295,454	8,295,454	8,295,454	—	—
Indirect sales taxes payable	3,838,974	3,838,974	3,838,974	—	—
Trade accounts payable	1,891,044	1,891,044	1,891,044	—	—
Payroll liabilities	196,541	196,541	196,541	—	—
Total	64,055,620	64,055,620	64,055,620	—	—

(d) Operational risk exposure

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. Certain administration functions have been outsourced to Intertrust Management Ireland Ltd to mitigate the Company's operational risk exposure.

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

19. Share-based payment

The employees of Shopify International Limited are paid share-based remuneration in the shares of Shopify Inc. (stock options and restricted share units). All share-based awards are measured based on the grant date fair value of the awards and recognized in the profit and loss accounts over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award), as required by IFRS.

Stock options

The Company has availed of the exemption for paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined, therefore this information is not disclosed in the financial statements.

Share price at grant date is share price at time of grant, see table below.

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
12-Nov-19	12-Nov-29	29.507	76,790	76,790
13-Nov-20	13-Nov-30	93.811	38,200	38,200
03-Mar-21	03-Mar-31	128.032	32,670	32,670
15-Nov-21	15-Nov-31	156.096	228,350	228,350
9-Dec-22	9-Dec-32	40.418	394,009	394,009
14-Dec-23	14-Dec-33	72.600	955,171	—

As the stock options granted to employees are liability of the Company, therefore related costs were recognised based on requirements of IFRS 2 in Shopify International Limited (amount payable to Shopify Inc., ultimate parent company was recognised as liability in Shopify International Limited books). The recharge from Shopify Inc. amounts to US\$ 10,162,660 (2022: US\$ 6,868,559) which was recognised in the Profit and Loss account. Weighted average contractual life of the share options as at 31 December 2023 was 8.84 years (2022: 8.87 years). Expected price volatility of the Company's shares is 64.60% (2022: 64.04%). Expected dividend yield 0.00% (2022: 0.00%) and risk-free interest rate 3.90% (2022: 4.04%).

Restricted share unit (RSU)

The fair value of restricted share units (RSUs) is measured using the fair value of the Shopify Inc. shares as if the RSUs were vested and issued on the grant date. An estimate of forfeitures is applied when determining compensation expense. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

During the year ended 31 December 2023 the number of RSU's granted for employees was 542,468 shares (2022: 402,715) with weighted average price of US\$ 71.80 (2022: US\$ 42.55). As the RSU's granted to employees are liability of Shopify International Limited, therefore related costs and liabilities to the parent were recognised based on requirements of IFRS 2 in Shopify International Limited's financial statements. The recharge from Shopify Inc. amounts to US\$ 8,836,340 (2022: US\$ 6,877,954) and are recognised in the Profit and Loss account.

Shopify International Limited
Notes to the financial statements
for the financial year from 1 January 2023 to 31 December 2023 (continued)

20. Called up share capital presented as equity

<i>Issued, allotted, called up and unpaid:</i>	No.	US\$
As at 1 January 2023	476,587,536	548,001,917
Issued during the year	—	—
As at 31 December 2023	476,587,536	548,001,917

On 13 June 2019 the directors increased the Company's authorized share capital from €1,000,000 ordinary shares divided into 1,000,000 ordinary shares of €1 each to €500,000,000 ordinary shares divided into 500,000,000 ordinary shares of €1 each. Each series of ordinary shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Company's Board of directors prior to the issuance thereof. Holders of ordinary shares, except as otherwise provided in the terms specific to a series of ordinary shares or as required by law, will not be entitled to vote at meetings of holders of shares. The ordinary shares are not convertible into any other class of shares.

On 10 November 2015, 338,750 ordinary shares with aggregate nominal value of US \$365,420 were issued at par value of €1 each.

On 28 June 2019, 354,130,053 ordinary shares with aggregate nominal value of US\$ 403,000,000 were issued at par value of €1 each.

On 19 April 2021 65,879,350 ordinary shares with aggregate nominal value of US\$ 78,850,210 were issued at par value of €1 each.

On 23 August 2021 56,239,381 ordinary shares with aggregate nominal value of US\$ 65,786,286 were issued at par value of €1 each.

On 23 June 2022 1 ordinary share with nominal value of US\$ 1.05 was issued at par value of €1.

Share Premium

On 23 June 2022, 1 ordinary share was issued at a premium of US\$ 84,378,118.

Retained earnings

Retained earnings represent accumulated comprehensive income for the period less dividend paid (if any).

21. Other reserves

The Other reserve consists of capital contributions from Shopify Inc. for the transactions to follow. The amount of US\$ 15,000,000 made on 28 April 2017 for the purposes of acquiring all of the issued and outstanding shares of Oberlo UAB. A capital contribution from Shopify Inc. in the amount of US\$ 17,000,000 made on 16 November 2018 for the purposes of acquiring all issued and outstanding shares of Tictail AB, and US\$ 1,375,000 made on 17 December 2018 for the purposes of fulfilling grant agreement terms for a government grant. The Company accepted a capital contribution from Shopify Inc. in the amount of US\$ 40,000,000 on 14 March 2023 to permit further investment in Shopify (Australia) Pty Ltd.

Amount of US\$ 13,586,670 in other reserves is related to stock-based compensation to the Company's employees. The stock-based compensation in other reserves represents an underlying timing difference in restricted share units and options cost amortization for Shopify International Limited and its parent company, Shopify Inc.

22. Related party transactions

The Company has availed of the exemption in FRS101 in respect of subsidiary undertakings, all of whose voting rights are controlled within the group. Consequently, those financial statements do not contain disclosure of transactions with entities in Shopify Inc. group.

Shopify International Limited

Notes to the financial statements

for the financial year from 1 January 2023 to 31 December 2023 (continued)

23. Controlling party

Shopify Inc. is the ultimate parent company and the ultimate controlling party. Shopify Inc. prepares group financial statements and is the largest group for which group financial statements are drawn up and of which Shopify International Limited is a member. Copies of the 31 December 2023 financial statements are available from the ultimate parent company Secretary at 151 O'Connor Street, Ground floor, Ottawa, Ontario, Canada, K2P 2L8.

24. Subsequent events

On 15 April 2024 the Company paid interim dividends in the amount of US\$ 604,254,090 to its immediate parent.

There are no other subsequent events that require adjustment to or disclosure in these financial statements.

25. Approval of the financial statements

The board of directors approved the financial statements on 1 August 2024.