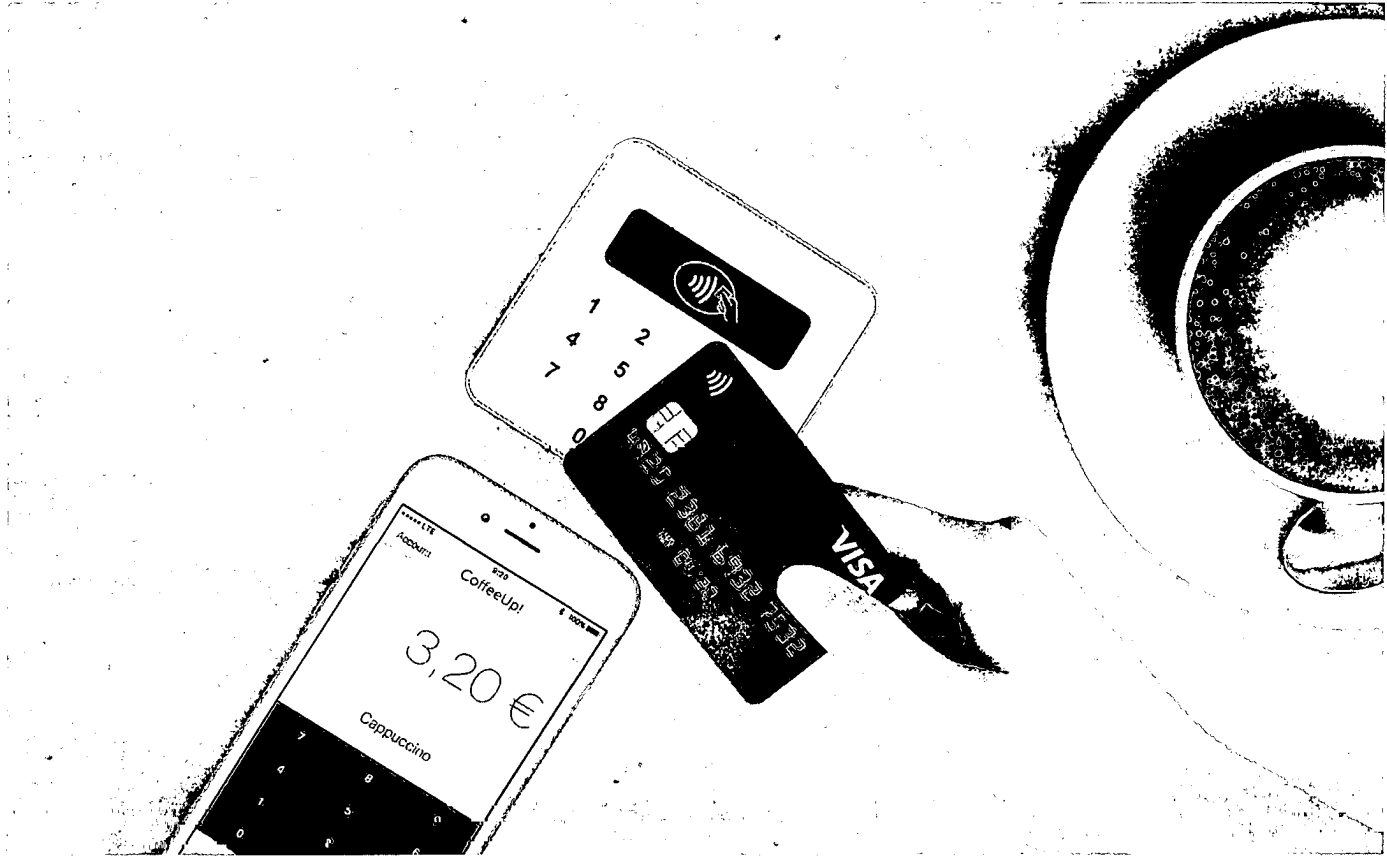


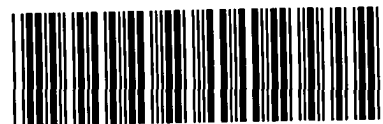
Amending



## SumUp Payments Limited

Report and Financial Statements  
For the year ended 31 December 2018

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**SumUp Payment Limited**  
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**SumUp Payments Limited**  
**Company Information**

**Secretary**  
G Walsh

**Board of Directors**  
G Walsh  
D Klein  
J Oakes  
K Shanahan

**Registered office**  
32-34 Great Marlborough Street  
London  
W1F 7JB

**Solicitors**  
CasePro OOD  
Edward Young Ltd

**Bankers**  
Danske Bank  
Deutsche Bank  
Allied Irish Banks  
UniCredit Bank  
First Investment Bank  
Barclays Bank

**Auditors**  
Ernst & Young LLP  
25 Churchill Place,  
Canary Wharf, London E14 5EY

**SumUp Payments Limited**  
**Strategic Report**  
**For the year ended 31 December 2018**

**INTRODUCTION**

The directors present their strategic report on the company for the year ended 31 December 2018.

**RESULTS AND BUSINESS REVIEW**

The principal activity of the company is the sale of hardware, monetary intermediation (payment services) and data processing. The company was authorised by the Financial Conduct Authority on 20 February 2013.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Risk management is an integral part of the Company's business process. The executive Directors review risks on a regular basis and report to the Board of Directors.

The risks and uncertainties which are currently judged to have the largest impact on the Company's performance is noted below:

- General economic conditions may negatively affect consumer spending, resulting in declines in the merchant's turnover.
- The Company faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline.
- The success of the Company is built upon an effective management team committed to achieving strong performance in each of the Company's divisions.
- Operational risk including technology and systems execution risk, business continuity planning and disaster recovery, information security breaches and data protection compliance, and general regulatory compliance.

**FINANCIAL KEY PERFORMANCE INDICATORS**

During the previous year the key financial performance indicators being monitored were debtors days and turnover per employee.

Though its current year operations resulted in profits as a result of management conscious decision to invest in its accretive customer expansion strategy, the Company has proven its business model is stable and sustainable.

	2018	2017
	€000's	€000's
Turnover	60,407	27,350
Net Assets	7,513	3,757
Profit for the financial year	3,736	1,866

  
Gareth Walsh  
Director

**SumUp Payments Limited**  
**Director's Report**  
**For the year ended 31 December 2018**

The Directors present herewith their report together with the audited financial statements for the year ended 31 December 2018.

SumUp Payments Ltd. (the "Company") is a private limited company registered in the United Kingdom, company number 07836562, with registered office at 32-34 Great Marlborough Street, London W1F 7JB, United Kingdom.

Directors

The Directors shown below have held office as Directors of the Company throughout the period and until the date of this report:

Mr. G. Walsh  
Mr. D. Klein  
Mr. J. Oakes  
Mr. K. Shanahan

Principal Activities

The principal activities of the company are the sale of hardware, monetary intermediation (payment services) and data processing. The company was authorised by the Financial Conduct Authority on 20 February 2013.

Business  
Objectives

The Company's primary business objective is to grow the payment services activities in Europe and UK.

Results

The financial report for the year ended 31 December 2018 and the results herein are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The statement of comprehensive income for the year ended 31 December 2018 and the statement of financial position as at 31 December 2018 are set out on pages 11 and 12 respectively. The result after tax amounts to a profit of EUR 3,736 thousand (2017 – profit of EUR 1,866 thousand).

Dividends

No dividend is proposed for the year ended 31 December 2018 (2017: Nil).

Financial risk management

Details of the Company's financial risk management objectives and policies are set out in note 17 to the financial statements.

**SumUp Payments Limited**  
**Director's Report (continued)**  
**For the year ended 31 December 2018**

Events after the balance sheet date

On 31 January 2020 United Kingdom formally left the European Union. On this date a transitional period has started in which the United Kingdom remains member of the single market and customs union until end of 2020. Management of the Company intends to continue its normal operations on the UK market and maintain Company's E-money license with FCA in good standing.

Post the balance sheet date, macro-economic uncertainty has arisen due to the COVID-19 pandemic, which has impacted FinTech industry. This disruption may have an impact on the Company's revenue base, expenses, cash flow, operational resilience, etc., but the Company has a resilient business, with an overall risk management programme in place. The Company will continue to evaluate and monitor markets, customer activity and supply chains for ongoing impacts.

In addition, the significant estimates and judgements that will be made in preparing future financial statements may also be impacted if the current macro-economic uncertainty continues. In particular, the Company expects net processing revenue limitations during lockdown periods would be impacted:

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

- present fairly the financial position, financial performance and cash flows of the company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company's financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**SumUp Payments Limited**  
**Director's Report (continued)**  
**For the year ended 31 December 2018**

Each of the directors listed on page 3 confirm to the best of their knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit/loss of the company; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that they face.

**Going concern**

The Company reported a profit EUR 3,736 thousand (2017 – profit of EUR 1,866 thousand) and had net assets of EUR 7,516 thousand (2017 – EUR 3,757 thousand) as at the balance sheet date.

Companies are required to adopt the going concern basis of accounting, except in circumstances where the directors determine at the date of approval of the financial statements either that they intend to liquidate the entity or to cease trading or have no realistic alternative to liquidation or cessation of operations.

The Board has assessed the appropriateness of the going concern basis of accounting when preparing the financial statements in accordance with accounting standards and guidance from the Financial Reporting Council ('FRC'). As part of that assessment, the directors have considered whether there are any material uncertainties relating to events or conditions (other than those with a remote probability of occurring) that may cast significant doubt upon the continuing use of the going concern basis of accounting in future periods, and the associated requirements to disclose these.

A material uncertainty is one relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and that may, therefore, indicate that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The below assessment analyses the uncertainties facing the Company.

These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures, and the impact on the economy.

The following sub-headings detail the material issues and uncertainties which the directors have considered in assessing the going concern assumption of the Company.

**1. Business performance**

Up to mid-March 2020, the Company continued to generate strong revenue growth and operating leverage and aggressively invested in its business to drive long-term growth. These investments were all executed in a disciplined manner and were intended to drive both further merchant empowerment as well as augment its internal infrastructure and platforms.

However, with the recent global outbreak of the coronavirus ("COVID-19"), the Company's business and 2020 outlook has been materially impacted as governments around the world have responded with quarantines, prohibitions on travel, and the closure of offices, businesses, schools, retail stores and other public venues. The merchants the Company serves daily have certainly felt the impact, and in turn, the Company has experienced a material drop in processing fees and the sale of card reader devices during the lockdown period.

**SumUp Payments Limited**  
**Director's Report (continued)**  
**For the year ended 31 December 2018**

**2. Operational logistics**

The Company's operation is dependent on its parent and fellow group companies for services such as the provision of staff, and technology support. Therefore, the directors have considered the following Group's factors:

- Due to the consequences of COVID-19 which is impacting the Group's consumer demand, the Group breached the financial maintenance covenants listed under its Senior Loan Agreement for the period ended 30 June 2020 and may not meet those covenants going forward.
- Accordingly, the Group would be subject to some form of forbearance from the lenders and would be required to pay default interest (additional 2% per annum). The default interest would increase the Group's interest expenses of EUR 520 thousand per month and impact the Group's underlying cashflows.
- The Group's auditor considered the factors above as the basis to issue an opinion with material uncertainty concerning the going concern on the Group's financial statements for the period ended 31 December 2019.
- The Group negotiated with the lenders and the lenders agreed to waive the breach of covenants for the period ended 30 June 2020. The lenders also required the Group to maintain a certain amount of cash in a separate retention account to mitigate any future breaches. However, uncertainty over the next covenant testing periods still exists.

Considering the extent of the Company's dependence on the Group's provision of staff and technology support, the uncertainty over the Group's financial position might disrupt Company's operation and impact the Company's results and cashflow. Therefore, the directors recognise that a material uncertainty exists that casts significant doubt upon the ability of the Company to continue as a going concern.

Notwithstanding this uncertainty, the directors have considered the following factors:

- The Company has shifted its strategy entirely to liquidity preservation:
  - o Reduction of all discretionary spending and evaluation of other levers to conserve cash, including cutting payroll costs across the organization. This initiative has been underway since the start of 2020. This has resulted in an increase in cash level and the initiative will continue.
  - o Acceleration of the launch and go-to-market of other products and functionality, including mobile payments and e-Commerce, to offset the disruption to offline payments.
- The Group and lenders agreed to a fee payment of EUR 825 thousand waiving the Q2 2020 covenants. The fee was paid by the Group on 2 September 2020.
- The lenders required the Group to maintain cash and cash equivalent balances of at least EUR 85 million in a Cash Retention Account. The Group transferred EUR 85 million to the Account on 3 September 2020. The Group will only be permitted to withdraw up to 50% of the balance if:
  - o financial covenants have been complied with in respect of the period ending 30 September 2020, and
  - o financial covenants are projected on a look-forward basis to be complied with in respect of the covenant testing dates up to 30 June 2021.



**SumUp Payments Limited**  
**Director's Report (continued)**  
**For the year ended 31 December 2018**

- The Group has experienced a positive business trend since the end of June 2020 and has updated its cashflow forecast for the next 18 months.
- The Group signed a loan facility agreement of EUR 44 million on 25 June 2020. The facility has been fully drawn and contractually should be repaid by 25 June 2023.
- The Group signed a guarantee letter confirming that it will not repatriate any funds held at the Company for a period at least twelve months after the date of this report.

Given these factors and having considered the risks and uncertainties to which the Company and the Group are exposed, the directors expect that the Company will have sufficient financial resources to meet its obligations for the foreseeable future (being a period of at least twelve months from the date of this report). Consequently, the directors have concluded that it remains appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements.

**Future development**

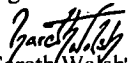
In 2019 the Company continues to successfully attract new merchants and plans to add new features and services to its merchant base.

**Statement As To Disclosure Of Information To Auditors**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

The company has appointed Ernst & Young LLP as statutory auditors for the financial statements as of and for the year ended 31 December 2018.

Signed on behalf of the Board of Directors:

  
Gareth Walsh

Date: 01.10.2020

## **Independent auditor's report to the members of SumUp Payments Limited**

### **Opinion**

We have audited the financial statements of SumUp Payments Limited for the year ended 31 December 2018 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Use of our report**

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

### **Material uncertainty relating to going concern**

We draw attention to the Basis of Preparation in Note 2.1 and Note 20 in the financial statements, which indicates that the ability of the Company to continue as a going concern is subject to material uncertainty as a result of COVID-19 which is impacting consumer demand. As stated in Note 2.1, the Group breached the financial maintenance covenants listed under its Senior Loan Agreement for the period ended 30 June 2020, and may not meet those covenants going forward. Therefore, the Directors have noted that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern as the Company's operation is dependent on its parent and fellow group companies for services such as the provision of staff and technology support, and the uncertainty over the Group's financial position might disrupt Company's operation and impact the Company's results and cashflow. Our opinion is not modified in respect of this matter.

We describe below our audit responses to the risks relating to going concern:

- The audit engagement partner increased their time directing and supervising the audit procedures on going concern and senior members of the audit team increased their time and involvement in performing the audit procedures on going concern.
- We confirmed our understanding of management's going concern assessment process.
- We evaluated management's actions in relation to its going concern assessment by discussing the latest developments with the Group senior management and its group auditors, and by inspecting:
  - o minutes of meetings with the lenders;
  - o amendment and waiver letter signed by parent entity and lenders;
  - o bank statements to evidence the payments of waiver fee and cash retention account; and
  - o guarantee letter signed by the parent entity confirming that it will not repatriate any funds held at the Company.
- We reviewed the latest cash flow forecasts and stress testing performed by management on the Group and the Company, including the latest transaction volumes.
- We assessed the disclosures in the Report and Financial Statements relating to going concern, including the material uncertainties, to ensure they were in compliance with IAS1.

#### **Other information**

- The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.
- Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

Ernst & Young LLP

Poppy Proborespati (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London  
2. October 2020

**SumUp Payments Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2018**

	Note	2018 € '000	2017 € '000
Revenue	5,7	60,406	27,350
Cost of sales	6,8	(52,784)	(23,418)
Gross profit		7,622	3,932
Administrative expenses	9	(3,987)	(2,051)
Operating profit		3,635	1,881
Other non-operating income		121	(15)
Profit on ordinary activities before taxation		3,756	1,866
Income tax expense	10	-	-
Profit for the year		3,756	1,866
<b>Comprehensive profit for the year</b>		<b>3,756</b>	<b>1,866</b>

The notes on page 14 to 44 form an integral part of these financial statements.

**SumUp Payments Limited**  
**Statement of financial position**  
**As at 31 December 2018**

			2018 € '000	2017 € '000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11		7	4
<b>Current assets</b>				
Cash and cash equivalents	12	24,863		12,189
Prepayments and Deposits	13	337		163
Tax receivable		693		151
Trade receivable	14	20,773		15,179
Other receivables		27		106
Intercompany receivables	19	2,177		-
			48,870	27,788
<b>Total assets</b>			<b>48,877</b>	<b>27,792</b>
<b>Equity</b>				
<b>Issued share capital and reserves</b>				
Issued share capital	15	6		6
Share Premium		2,424		2,424
Retained earnings		5,083		1,327
Shareholders' funds			7,513	3,757
<b>Current liabilities</b>				
Bank Overdraft		-		34
Trade payables	16	243		-
Intercompany payables		2,450		6,153
Payables to merchants	14	37,670		17,089
Deposits from merchants		-		18
Payables on social security		3		3
Other current payables		998		738
<b>Total liabilities</b>			<b>41,364</b>	<b>24,035</b>
<b>Total equity and liabilities</b>			<b>48,877</b>	<b>27,792</b>

The notes on page 14 to 44 form an integral part of these financial statements.

The financial statements of SumUp Payments Limited (Company Number 07836562) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

  
Gareth Walsh

Date: 01.10.2020

**SumUp Payments Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2018**

	2018 € '000	2017 € '000
<b>Cash flows from operating activities</b>		
Profit on ordinary activities before taxation	3,756	1,866
<b>Adjustments to reconcile to cash flow used in operating activities</b>		
Depreciation	2	2
Increase in trade and other receivables	(8,376)	(15,427)
Interest paid	27	27
Interest received	(131)	(12)
Increase in trade and other payables	18,100	20,295
<b>Net cash inflow from operating activities</b>	<u>13,378</u>	<u>6,875</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(2)	(3)
Interest received	131	12
<b>Net cash inflow from investing activities</b>	<u>129</u>	<u>9</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(772)	(124)
Interest paid	(27)	(27)
Issue of new share capital	-	5
<b>Net cash outflow from financing activities</b>	<u>(799)</u>	<u>(146)</u>
<b>Net increase in cash and cash equivalents</b>	<b>12,708</b>	<b>6,614</b>
<b>Cash and cash equivalents at 1 January</b>	<b>12,155</b>	<b>5,541</b>
<b>Cash and cash equivalents at 31 December</b>	<b>12</b> <u><u>24,863</u></u>	<u><u>12,155</u></u>

The notes on page 14 to 44 form an integral part of these financial statements.

**SumUp Payments Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2018**

	<b>Share capital € '000</b>	<b>Share premium € '000</b>	<b>Retained earnings € '000</b>	<b>Other equity Reserves € '000</b>	<b>Total equity € '000</b>
Balance at 1 January 2017	1	641	(539)	1,907	2,010
Issued share capital	5	1,783	-	-	1,788
Result for the year	-	-	1,866	-	1,866
Transfer to/from profit and loss account	-	-	-	(119)	(119)
Transfer between other reserves	-	-	-	(1,788)	(1,788)
Balance as at 31 December 2017	<u>6</u>	<u>2,424</u>	<u>1,327</u>	<u>-</u>	<u>3,757</u>
Balance at 1 January 2018	6	2,424	1,327	-	3,757
Result for the year	-	-	3,756	-	3,756
Balance as at 31 December 2018	<u>6</u>	<u>2,424</u>	<u>5,083</u>	<u>-</u>	<u>7,513</u>

The notes on page 14 to 44 form an integral part of these financial statements.



**SumUp Payments Limited**  
**Notes to the financial statements**  
**For the year ended 31 December 2018**

**1. Corporate information**

The financial statements of SumUp Payments Limited (the Company) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 13 December 2019.

SumUp Payments Limited is a private limited company registered in the United Kingdom, company number 07836562, with registered office at 32-34 Great Marlborough Street, London W1F 7JB, United Kingdom.

The principal activity of the company is the sale of hardware, monetary intermediation (payment services) and data processing.

The company is registered in United Kingdom and authorised by the United Kingdom Financial Conduct Authority (FCA) to carry out the business of an Authorised Payment Institution under registration number 587718. This authorisation was granted with effect from 20 February 2013.

The Company is a 100% subsidiary of SumUp Holdings CH AG, the Company's holding company.

The Company's ultimate parent undertaking and controlling party ("Parent") is SumUp Holdings S.à.r.l., with a registered office at 153-155, rue du Kiem, L-8030 Strassen, Luxembourg.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is SumUp Holdings S.à.r.l., with a registered office 153-155, rue du Kiem, L-8030 Strassen, Luxembourg.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements are prepared in all material respects in accordance with International Financial Reporting Standards (IFRS), as adopted by EU, issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements are presented in euro and all values are rounded to the nearest thousand (€000 or EUR '000), except when otherwise indicated.

The financial statements are prepared on a historical cost and accrual basis.

The financial position, financial performance and cash flows for the year ended December 31, 2017 of the Company are presented in these financial statements as comparative information.

**Statement of compliance**

The financial statements of SumUp Payments Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by EU.

**Going concern**

The financial statements of the Company have been prepared on a going concern basis.

The Company reported a profit EUR 3,736 thousand (2017 – profit of EUR 1,866 thousand) and had net assets of EUR 7,516 thousand (2017 – EUR 3,757 thousand) as at the balance sheet date.

Given the liquidity and capital resources arrangements in place, the accounts have been prepared on a going concern basis. The going concern basis is supported by future cash flow forecasts that support the Company on an ongoing basis.

For the first two-and-a-half months of 2020, the Company continued to generate strong revenue growth and operating leverage and aggressively invested in its business to drive long-term growth. These investments were all executed in a disciplined manner and were intended to drive both further merchant empowerment as well as augment its internal infrastructure and platforms.

However, with the recent global outbreak of the coronavirus ("COVID-19"), the Company business and 2020 outlook has been materially impacted. As governments around the world have responded with quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues, the merchants the Company serves on a daily basis have certainly felt the impact, and in turn, the Company has experienced a material drop in processing fees and the sale of card reader devices during lockdown period. It is uncertain how long this drop will continue, and as a result, the Company has shifted its strategy entirely to liquidity preservation. The Company has reduced all discretionary spending and are currently evaluating other levers to conserve cash, including cutting payroll costs across the organization for Q2, 2020. End of June 2020 business turnovers are stabilizing to pre-COVID 19 levels.

Furthermore, the Company has accelerated the launch and go-to-market of other products and functionality, including mobile payments and e-Commerce, to offset the disruption to offline payments.

In a scenario where the topline recovery experiences further delay on a Group level, the Group may breach the financial maintenance covenants listed under our Senior Loan Agreement on a Group level.

## **2. Significant accounting policies (continued)**

### **Going concern (continued)**

In such scenario the Group will be required to pay default interest (additional 2% per annum), which were result in an increase of interest expenses of EUR 520 thousand per month and will have impact on the Group's underlying cashflows.

However, the Group and lenders agreed over a fee payment of EUR 825 thousand to waive the Q2 covenants. The fee is paid on 3 September 2020. The lenders have also requested some control over the liquidity in the business which means that the Group needs to maintain cash and cash equivalent balance of at least EUR 85 million for the period of recovery and until end of Q3, 2020. As at the end of August 2020, the Group's cash and cash equivalent balance was EUR 165 million, therefore the Group has sufficient level of cash to pay the waiver fee and maintain the EUR 85 million cash and cash equivalent balance.

The Group has been experiencing positive a business trend since end of June 2020 and has updated its cashflow forecast for the next 18 months. The cash equivalent balance increase with EUR 4 million in the period July – August 2020. This has been based on sales volumes which is now returning to pre-COVID levels. The increase in cash level is also as a result of the cost savings initiative implemented at the start of 2020 which will continue to be in place. In addition, the Group has signed loan facility agreement of EUR 44 million on 25 June 2020.

However, despite the recent developments as stated above, due the ongoing COVID 19 pandemic and the risk of a second lockdown the Board has concluded that material uncertainty still remains regarding its compliance with the loan covenants beyond the period 12 months from the date of approval of the financial statements.

### **Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**2. Significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Current versus non-current classification (continued)**

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

**2.2 Summary of significant accounting policies**

**a) Revenue recognition**

The Company is in the mobile point-of-sale business (mPOS).

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is executing payments on the behalf of its customers and for their account and is thus acting as an agent in all contracts with customers related to processing revenue. In all other contracts with customers the Company is the principal because it typically controls the goods or services before transferring them to the customer.

The Company adopted IFRS 15 using the modified retrospective approach method of adoption with the date of initial application of 1 January 2018. The Company has not identified any effect on initial application of IFRS 15.

*Sale of card readers and other equipment*

Revenue from sale of card readers and other equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

*Variable consideration*

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts for the sale of card readers provide customers with a right of return. The rights of return give rise to variable consideration

**2.2 Summary of significant accounting policies (continued)**

**a) Revenue recognition (continued)**

*Rights of return*

Contracts provide a customer with a right to return the goods within a specified period. The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*Significant financing component*

Generally, the Company do not receive short-term or long-term advances from its customers.

*Non-cash consideration*

The Company does not received any non-cash considerations.

*Cost to obtain a contract*

The Company pays sales commission to its employees and to third parties for contracts that they obtain as part of short – term incentive package. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under employee benefits and hired services) because the amortisation period of the asset that the Company otherwise would have used is one year or less.

*Rendering of payment services and processing revenue (fee income from providing transaction services)*

The Company earns fee (from merchants and from acceleration) and commission income from a range of services it provides to its customers. Revenue from payment services (fee income) is recognised in point in time on successful completion of the underlying transaction, respectively on triggered by the merchant early settlement for revenue and cost for accelerated transactions.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**2.2 Summary of significant accounting policies (continued)**

**a) Revenue recognition (continued)**

*Interest income*

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

**b) Taxes**

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**c) Employee benefits**

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Company and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 9.

## **2.2 Summary of significant accounting policies (continued)**

### **d) Fixed assets**

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the fixed assets and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of fixed assets are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Fixtures and fittings	3 years

An item of fixed asset and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **e) Share capital**

Share capital represents the par value of shares issued. The proceeds from issued capital (issued price) above share par value are recorded as premium reserves. Any difference between issued price and contribution actually received is recorded as receivable for issued but not paid in capital in the statement of financial position.

### **f) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company basis its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

## **2.2 Summary of significant accounting policies (continued)**

### **f) Impairment of non-financial assets (continued)**

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss.

### **g) Financial instruments – initial recognition and subsequent measurement**

Financial instruments of the Company as of 31 December 2017 are initially recognized and subsequently measured in accordance with IAS 39. The Group has applied the following accounting policies under IAS 39:

#### *Financial assets*

The financial assets of the Company include receivables, cash and cash equivalents, deposits and receivables from related parties.

#### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

#### *Subsequent measurement*

The subsequent measurement of loans and receivables is as follows:

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.



**2.2 Summary of significant accounting policies (continued)**

**g) Financial instruments – initial recognition and subsequent measurement (continued)**

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**2.2 Summary of significant accounting policies (continued)**

**g) Financial instruments – initial recognition and subsequent measurement (continued)**

*Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss component of the statement of comprehensive income.

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

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

*Subsequent measurement*

The measurement of trade and other payables is as follows:

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

## **2.2 Summary of significant accounting policies (continued)**

### **g) Financial instruments – initial recognition and subsequent measurement (continued)**

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

#### *Derecognition*

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

With IFRS 9 adoption the Company has applied the following accounting policies:

#### *Financial assets*

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

**2.2 Summary of significant accounting policies (continued)**

**g) Financial instruments – initial recognition and subsequent measurement (continued)**

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and receivables from acquirers.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

The Company holds equity investment in an entity incorporated in Chile and has classified it as financial asset designed at fair value through OCI.

## **2.2 Summary of significant accounting policies (continued)**

### **g) Financial instruments – initial recognition and subsequent measurement (continued)**

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### *Impairment of financial assets*

Expected credit losses (ECLs) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**2.2 Summary of significant accounting policies (continued)**

**g) Financial instruments – initial recognition and subsequent measurement (continued)**

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification.

**h) Fair value measurement**

*Derecognition*

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

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Company does not report any financial instruments, such as, derivatives and available-for-sale financial assets, as well as non-financial assets such as investment properties and property, plant and equipment, at fair value at each reporting date. Fair values of financial instruments are disclosed in Note 18.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**2.2 Summary of significant accounting policies (continued)**

**h) Fair value measurement (continued)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers or internal valuation experts are involved for valuation of significant assets and significant liabilities. Involvement of valuation experts is decided upon annually by the management.

The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

## **2.2 Summary of significant accounting policies (continued)**

### **h) Fair value measurement (continued)**

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **i) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks (net of outstanding deficits on current bank accounts) and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### **j) Foreign currencies**

The Company's financial statements are presented in Euros, which is also the company's functional currency. The Company is applying the foreign exchange rates published by European Central Bank.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences are taken to the profit or loss with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the profit or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.



### **3. Significant accounting judgements, estimates and assumptions (continued)**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### ***Judgments***

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

##### ***Revenue recognition – Company as an agent***

Based on the arrangements with its customers in particular the fact that the Company is executing payments on their behalf and for their account of its customers, the management has assessed that the Company is acting as an agent in all its contracts with customers related to processing transactions. Consequently, the reported gross revenue comprises the agent commission received for processing card payments.

#### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

##### ***Provision for expected credit losses of trade receivables and contract assets***

The Group uses a provision matrix to calculate Expected credit losses (ECLs) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The management assesses the impairment on the basis of an aging analysis of the receivables, previous experience, analysis of the solvency of the respective customer and changes in the agreed payment terms.

The Group accounts for an allowance for the impairment of doubtful receivables' balances based on simplified approach to measure expected credit loss. As at 31 December 2018 the impairment of receivables is EUR 474 thousand. Further details are provided in Note 17.2.

Receivables from acquirers are with very high turnover and are subject only to review for significant increase of credit risk.

**4a. Initial application of new amendments to the existing standards effective for the current reporting period**

For the current financial year the Company/Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The new and/or amended standards and interpretations include:

- IFRS 9 “Financial Instruments” (in force for annual periods beginning on or after 1 January 2018 – endorsed by EU). This is a new standard for financial instruments. It is ultimately intended to replace IAS 39 in its entirety. IFRS 9 introduces a requirement that financial assets are to be classified based on entity's business model for their management and on the contractual cash flow characteristics of the respective assets. Based on that, two primary categories are established for subsequent measurement: at amortised cost and at fair value. Hedge accounting – the standard includes a new chapter, introducing a new, more flexible, approach, and respectively model for hedge accounting, which permits consistent and complete reflection of all financial and non-financial risk exposures, subject to economic hedge transactions, and also, better presentation of risk management activities in the financial statements and specifically, their relation to hedge transactions, and the scope and type of documentation to be used. In addition, the requirements to the structure, contents and presentation approach for hedge disclosures have been improved. Furthermore, an option is introduced that fair value changes of financial liabilities measured at fair value through profit or loss due to changes in the entity's own credit quality (own credit risk), to be recognized in other comprehensive income rather than in profit or loss. Impairment methodology – the amendment is fundamental and introduces the application of the 'expected loss' concept and approach. According to this approach, all expected credit losses of a financial asset at amortised cost shall be recognised earlier, and the three-stage model is usually applied, depending on its credit quality change, and not only if a triggering default event has occurred as per the current model under IAS 39. The three stages are: a. upon the initial recognition of the financial asset – impairment for the 12-month period, b. in case of increased credit risk – for the full lifetime of the asset; and respectively, c. upon default - of the actual impairment. With regards to trade receivables, lease receivables and assets under contracts with customers, the standard permits the use of a simplified model to measure impairment, which however also retains the “expected losses” concept.
- IFRS 7 (amended) “Financial Instruments: Disclosures” – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC). The amendment is related to a relief from the requirement to restate the comparative financial statements and the option to present modified disclosures on the transition from IAS 39 to IFRS 9 as at the date of the standard application by the Company and whether it chooses the option to restate prior periods. The management has chosen modified retrospective application of IFRS 9 upon its initial application and will not restate comparative information.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**4a. Initial application of new amendments to the existing standards effective for the current reporting period (continued)**

- IFRS 15 “Revenue from Contracts with Customers” (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC). This is an entirely new standard on the recognition and measurement of the revenue of entities from all economic sectors. It introduces a new concept, and based on it – a complete set of new principles, rules and approaches for recognition, accounting for and disclosure of information about the nature, amount, timing and uncertainties related to revenue and cash flows arising from contracts with customers. The standard fully supersedes all current standards related to revenue recognition, mainly IAS 18 and IAS 11 and the interpretations thereto. The main concept of the new standard is to provide a five step model whereby the revenue amount and timing reflect the fulfilment of obligation characteristics and performance of each of the parties to the transaction.
- IFRS 2 (amended) “Share-based Payment” – Classification and measurement of share-based payment transactions (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).
- IFRS 4 (amended) “Insurance Contracts” in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) – improvements to IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- IAS 40 (amended) “Investment Property” – regarding transfers of investment property (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative – adopted by EU on November 6, 2017 (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on November 6, 2017 (effective for annual periods beginning on or after January 1, 2017),
- Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on February 8, 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these standards and/or interpretations, effective for annual periods commencing on 1 January 2018, has not resulted in changes to the Company’s accounting policy, with the exception that the Company adopted the simplified model to measure impairment of trade receivables under IFRS 9 and with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**4b. Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective**

*Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective*

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective as of the end of the reporting period:

- IFRS 16 “Leases” (in force for annual periods beginning on or after 1 January 2019 – endorsed by EC). This standard has an entirely new concept. It establishes new principles for the recognition, measurement and presentation of a lease by introducing a new model with the objective to ensure a more faithful and adequate representation of such transactions primarily for the lessee. The standard will supersede the effective so far standard related to leases – IAS 17. The main principle of the new standard for lessees is the introduction of a single lessee accounting model in the statement of financial position – an asset will be recognised for all contracts with duration of more than 12 months in the form of a ‘right-of-use’, which will be subsequently depreciated over the duration of the contract, and respectively, a financial liability will be stated for the lease liability under these contracts. This is the significant change in the current accounting practice. The standard allows an exception and retaining the current practice for leases of low-value assets and short-term leases. The Company has completed self – assessment project by detailed analysis of all its service level and other similar agreements and has concluded that the changes made through the new standard have no impact on the accounting policies, and on the value and classification of Company’s assets, liabilities, transactions and performance, with regards only to office rent agreements. The Company do not have any active lease contracts as of December 31, 2018.
- IFRIC 23 (amended) “Uncertainty over Income Tax Treatments” (in force for annual periods beginning on or after 1 January 2019).
- IFRS 9 (amended) “Financial Instruments” – regarding prepayment features with negative compensation in case of early repayment and modifications of financial liabilities (in force for annual periods beginning on or after 1 January 2019).

*New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretations, which were not endorsed for use in EU as of the date of publication of consolidated financial statements (the effective dates stated below is for IFRS in full):

- Annual improvements to IFRSs 2015-2017 Cycle (December 2017) – improvements to IAS 23, IAS 12 and IFRS 3 in relation to IFRS 11 (in force for annual periods beginning on or after 1 January 2019).
- IAS 28 (amended) “Investments in Associates and Joint Ventures” – regarding long term interests in associates and joint ventures (in force for annual periods beginning on or after 1 January 2019).
- IFRS 17 “Insurance Contracts” (in force for annual periods beginning on or after 1 January 2021).
- IAS 19 (amended) “Employee Benefits” (in force for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (in force for annual periods beginning on or after 1 January 2020).
- IFRS 3 (amended) “Business Combinations” (in force for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (in force for annual periods beginning on or after 1 January 2020).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**5. Gross processing revenue**

	<b>2018</b>	<b>2017</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Income from merchant fees	51,622	26,521
Flexi pricing/Subsequent discounts	(1,009)	(602)
	<b>50,613</b>	<b>25,919</b>

The Company provides its merchants with subsequent discounts and flexi pricing arrangements that depend on the volume of transactions processed. Such discounts are presented net of gross processing revenue.

Set out below is disaggregation of the Company's revenue from contracts with customers:

	<b>2018</b>	<b>2017</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Gross processing revenue (Note 5)	50,613	25,919
Revenue from sale of goods and services (Note 7)	9,793	1,431
<b>Total revenue from contracts with customers</b>	<b>60,406</b>	<b>27,350</b>

**6. Processing costs**

	<b>2018</b>	<b>2017</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Processing - Interchange Cost	9,639	4,636
Processing - Acquiring Cost	7,357	3,569
Processing - Per Transaction Cost	2,030	1,212
Bank charges on merchant payout accounts	785	495
Acquiring expenses	356	20
Processing - Chargeback fees	-	32
Chargebacks/Refunds costs	352	709
	<b>20,519</b>	<b>10,673</b>

**7. Revenue from sale of goods and services**

	<b>2018</b>	<b>2017</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Revenue from sale of card readers	8,922	522
Revenue for rent of POS Pro	691	69
Revenue from co-marketing campaigns	137	840
Other revenue	43	-
	<b>9,793</b>	<b>1,431</b>

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**8. Cost of goods sold**

	<b>2018</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>
Card readers sold	28,345	12,588
Distribution and packaging costs	3,542	112
Other goods sold	378	45
	<b>32,265</b>	<b>12,745</b>

**9. Administrative expenses**

	<b>2018</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>
Administrative expenses from third parties	3,540	1,665
Salaries and salary-like expenses	447	386
	<b>3,987</b>	<b>2,051</b>

Salaries and salary-like expenses include other benefits for year 2017 representing health insurance totaling EUR 4 thousand, which is Nil for 2018. Salaries and salary like expenses include Directors remuneration totaling EUR 70 thousand for 2018 (2017: EUR 149 thousand), representing one Director remuneration of only salary and fees (see Note 19).

The average number of staff for the year ended 31 December 2018 was 8 employees (2017: 7 employees).

As at 31 December 2018 the Company had 10 employees (2017: 7 employees).

**10. Income tax**

Components of income tax expense:

	<b>2018</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>
Current income tax charge	-	-
<b>Income tax expense reported in the consolidated profit or loss</b>	<b>-</b>	<b>-</b>

Income tax reconciliation to the statement of comprehensive income is as follows:

	<b>2018</b>	<b>2017</b>
	<i>EUR'000</i>	<i>EUR'000</i>
Profit before tax (EUR'000)	3,736	1,866
Income tax rates	19%	19.25%
Current income tax charge	710	359
Losses relief	(710)	(359)
Income tax benefit / (expense)	-	-

Tax losses are available for offset against future profits of the Company entities in which the losses arose, and as of 31 December 2018 are totaling to EUR 2,666 thousand (31 December 2017: EUR 6,402 thousand).

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**11: Fixed assets**

	Fixtures and Fittings EUR'000	Computer Equipment EUR'000	Total EUR'000
<b>Cost:</b>			
At 01.01.2017	1	12	13
Additions	-	3	3
At 31.12.2017	1	15	16
Additions	-	5	5
Disposals	-	(3)	(3)
At 31.12.2018	1	17	18
<b>Accumulated depreciation:</b>			
At 01.01. 2017	(1)	(9)	(10)
Depreciation charge for the year	-	(2)	(2)
At 31.12.2017	(1)	(11)	(12)
Depreciation charge for the year	-	(2)	(2)
Disposals	-	3	3
At 31.12.2018	(1)	(10)	(11)
<b>Carrying value:</b>			
At 31.12.2017	-	4	4
At 31.12.2018	-	7	7

**12. Cash and cash equivalents**

	2018 EUR'000	2017 EUR'000
Cash in bank	3,900	774
Merchants funds	20,963	11,415
	<b>24,863</b>	<b>12,189</b>

Cash at banks is mainly in EUR, CHF, BGN, GBP, CZK, DKK, HUF, NOK, PLN, SEK and USD accounts and earns interest at floating rates based on daily bank deposit rates.

**13. Prepayments and deposits**

	2018 EUR'000	2017 EUR'000
Prepayments to suppliers	1	52
Other deposits	336	111
	<b>337</b>	<b>163</b>

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**14. Trade receivables and payables to merchants**

Trade receivables include receivables from acquirers totaling EUR 20,307 thousand as of December 31, 2018 (2017: EUR 14,937).

Acquirer is the financial institution or merchant bank (a merchant acquirer) which is contacted to authorize a credit card or debit purchase. The acquirer approves or declines the debit or credit card purchase amount. If approved the acquirer will then settle the transaction by placing the funds into the SumUp's account. At year end the Receivables from acquirer represent the accumulated balance of approved transactions processed in the last days of the year. Such balances are then settled in SumUp's Merchants funds account within the first days of the following year.

SumUp Company is principally engaged in the provision of financial, technical and consulting services rendered to merchants and different payment service providers together with software development services. Payables to merchants are recognised on completion of the underlying transaction as this is when the payments are due to the merchants. At year end the Payables to merchants are the accumulated balance of approved transactions processed in the last days of the year. Such balances are then paid out to Merchant's account on the first days of the following year.

**15. Share capital**

	2018 <i>No</i>	2018 <i>EUR'000</i>	2017 <i>No</i>	2017 <i>EUR'000</i>
<b>Ordinary shares</b>				
At 1 January	500,000	6	100,000	1
Issue of share capital	-	-	400,000	5
<b>At 31 December</b>	<b>500,000</b>	<b>6</b>	<b>500,000</b>	<b>6</b>

Share capital consists 500,000 shares at par value of GBP 0.01. All shares are issued and fully paid.

**16. Trade payables**

	2018 <i>EUR'000</i>	2017 <i>EUR'000</i>
Payables to suppliers	243	-
	<b>243</b>	<b>-</b>

**17. Financial risk management objectives and policies**

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

The directors constantly monitor the financial risks to which the company is exposed, in order to detect those risks in advance and take the necessary action to mitigate them through regular review by the board.

The following section provides qualitative disclosures on the effect that these risks may have upon the company.



## 17. Financial risk management objectives and policies (continued)

### 17.1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include received loans, cash and cash equivalents and deposits.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's is not exposed to risk of changes in market interest rates as at 31 December 2018, as the borrowings of the Company are contracted and bearing fixed interest rate, thus changes in the interest rate levels are not impacting Company's profit/loss before tax figures.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

#### 17.1.1. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

Most of the Company's transactions are carried out in Euro. To mitigate the Company's exposure to foreign currency risk, non-Euro cash flows are monitored in accordance with Company's risk management policies. Generally, Company's risk management procedures distinguish short-term foreign currency cash flows from long-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

#### Foreign currency sensitivity

Foreign currency denominated financial assets and liabilities, translated into Euro at the closing rate are as follows:

As at 31.12.2018

	CHF	GBP	USD	PLN	SEK	CZK	DKK	HUF	NOK	BGN
	EUR'00	EUR'00	EUR'00	EUR'000	EUR'01	EUR'01	EUR'01	EUR'01	EUR'01	EUR'01
	0	0	0							
Financial assets	6,171	7,277	342	911	558	249	493	129	169	70
Financial liabilities	(5,393)	(5,113)	(33)	(554)	(357)	(116)	(433)	(66)	(116)	(26)
	778	2,164	309	357	201	133	60	63	53	44

The Company operates internationally and is exposed to foreign exchange risk, primarily the GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Company entity.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**17. Financial risk management objectives and policies (continued)**

**17.1.1. Foreign currency risk (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in GBP exchange rate, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of financial assets and liabilities. There is no impact on the Company's pre-tax equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in rate	Effect on profit before tax EUR '000
2018		
GBP weakened against the Euro	+5%	(103)
GBP strengthened against the Euro	- 5%	113
CHF weakened against the Euro	+5%	(37)
CHF strengthened against the Euro	- 5%	41

**17.2. Credit risk**

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

**Financial assets**

	2018 EUR '000	2017 EUR '000
Deposits	337	163
Receivables from acquirer	20,307	14,974
Related party receivables	2,177	-
Other receivables	1,186	462
	<b>24,007</b>	<b>15,599</b>

**a) Impairment of financial assets**

The Company has one main type of financial assets that are subject to the expected credit loss model - trade receivables for sales of inventory and from the provision of services.

While cash and cash equivalents and receivables from acquirer are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*Trade receivables*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 and the corresponding historical credit losses experienced with this period.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**17. Financial risk management objectives and policies (continued)**

**17.2. Credit risk (continued)**

**a) Impairment of financial assets (continued)**

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables:

31 December 2018	Days past due					EUR '000
	Current	Up to 30 days	31-90 days	91-180 days	More than 180 days	Total
Expected loss rate (average)	2.29%	1.54%	15.44%	67.64%	100%	
Gross carrying amount – trade receivables	129	102	222	155	330	938
Loss allowance	3	2	34	105	330	474

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 5 years past due.

Impairment losses on trade receivables are presented as bad debt provisions, part of other operating expenses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**17.3. Liquidity risk**

The Company manages its liquidity needs by monitoring scheduled payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available investor/creditor commitments in order to determine headroom or any shortfalls. This analysis shows that available investor/creditor commitments are expected to be sufficient over the lookout period.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

The Company maintains cash to meet its liquidity requirements for 30-day periods at a minimum. As at 31 December 2018 and 2017, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

<b>Payables</b>	<i>On demand</i>	<i>Less than 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'00</i>	<i>EUR'00</i>	<i>EUR'00</i>	<i>EUR'000</i>
<b>At 31.12.2018</b>			0	0	0	
Trade payables	-	243	-	-	-	243
Payables to merchants	37,670	-	-	-	-	37,670
Payables to related parties	401	2,049	-	-	-	2,450
Payables to taxes	-	962	-	-	-	962
Other payables	-	36	-	-	-	36
	<b>38,071</b>	<b>3,290</b>	-	-	-	<b>41,361</b>

**17. Financial risk management objectives and policies (continued)**

**17.3. Liquidity risk (continued)**

<b>Payables</b>	<i>On demand</i>	<i>Less than 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>At 31.12.2017</b>						
Bank overdraft	34	-	-	-	-	34
Payables to merchants	17,107	-	-	-	-	17,107
Payables to related parties	1,172	4,981	-	-	-	6,153
Other payables	741	-	-	-	-	741
	<b>19,054</b>	<b>4,981</b>	-	-	-	<b>24,035</b>

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**17.4. Capital Management**

The Company maintains a good capital structure that ensures financial stability and provides a solid foundation for ongoing development of business operations. The management oversees the Company's capital structure and financial management, approves matters related to expenses, investments and financing and continuously monitors the Company's exposure to financial risks.

The Company defines capital as total equity according to the statement of financial position of EUR 7,513 thousand (2017: EUR 3,757 thousand).

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**18. Fair value of financial instruments**

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	2018	2017	2018	2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Financial Assets</b>				
Deposits (Level 3)	337	163	337	163
Cash and cash equivalents (Level 3)	24,863	12,189	24,863	12,189
Receivable from acquirer (Level 3)	20,307	15,179	20,307	15,179
Related party receivables (Level 3)	2,177	-	2,177	-
Other receivables (Level 3)	1,186	257	1,186	257
	<i>Carrying amount</i>		<i>Fair value</i>	
	2018	2017	2018	2017
	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>	<i>EUR'000</i>
<b>Financial Liabilities</b>				
Trade payables (Level 3)	243	-	243	-
Payables to merchants (Level 3)	37,670	17,107	37,670	17,107
Other payables (Level 3)	36	741	36	741

The fair value of cash and cash equivalents, deposits, receivable, trade payables and payable to related parties approximate their carrying amounts due to the short-term maturities of these instruments.

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**19. Related party disclosures**

Related parties' transactions and outstanding balances are presented in the table below.

	Sales	Purchases	Loan transfers	Interest income/ (expense)	Loans receivable/ (payable)	Trade receivables	Trade payables
	2018 EUR '000	2018 EUR '000	2018 EUR '000	2018 EUR '000	31.12.2018 EUR '000	31.12.2018 EUR '000	31.12.2018 EUR '000
SumUp Holdings Sarl		-	-	-	-	-	(9)
SumUp Holdings Lux Sarl		-	-	-	-	2,160	-
SumUp EOOD		-	92	(3)	-	-	(20)
SumUp Branch Poland		-	-	-	-	-	(6)
Juwel 148 VV UG		-	-	-	-	-	(1,990)
Payleven Germany Gmbh		-	-	-	-	-	(21)
Debitoor UK Ltd		-	179	(14)	(239)	-	-
Debitoor Espana S.L.		-	235	(9)	(165)	-	-
Debitoor Holdings Sarl		-	-	-	-	17	-
Debitoor Gmbh		-	115	(1)	-	-	-
SumUp Limited		(2,030)	-	131	-	-	-
SumUp Services Gmbh		(32,265)	-	-	-	-	-
Keysi Europe EOOD		(439)	-	-	-	-	-
		(34,734)	621	107	(404)	2,177	(2,046)

	Sales	Purchases	Loan transfers	Interest income/ (expense)	Loans receivable/ (payable)	Trade receivables	Trade payables
	2017 EUR '000	2017 EUR '000	2017 EUR '000	2017 EUR '000	31.12.2017 EUR '000	31.12.2017 EUR '000	31.12.2017 EUR '000
SumUp Inc USA	18	-	-	-	-	-	-
SumUp Holdings Sarl	8	(136)	-	-	-	-	(125)
SumUp Services GmbH	4,682	(2,395)	-	-	-	-	(1,552)
SumUp Ltd	840	(374)	-	-	-	-	(272)
SumUp Holdings Luxembourg	(129)	2,046	-	-	-	-	-
SumUp EOOD	3	(278)	-	-	-	-	(1,251)
Payleven Holdings GmbH	25	93	-	-	-	-	-
Debitoor UK Limited	-	(421)	-	-	-	-	(407)
Debitoor España S.L	-	(402)	-	-	-	-	(402)
Debitoor GmbH	-	(116)	-	-	-	-	(116)
Payleven Germany GmbH	-	(21)	-	-	-	-	(21)
Payleven Ltd	-	(2,007)	-	-	-	-	(2,007)
	5,477	(4,011)	-	-	-	-	(6,153)

**SumUp Payments Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2018**

**19. Related party disclosures (continued)**

**Compensation of key management personnel**

	<b>2018</b>	<b>2017</b>
	<i>EUR '000</i>	<i>EUR '000</i>
Short-term employee benefits	<b>70</b>	<b>149</b>
	<b>70</b>	<b>149</b>

The amounts disclosed in the table are the amounts recognized as expense during the reporting period related to key management personnel. The Company has not entered into other transactions with key management personnel, except the defined in the table above.

The Company has one Director for which has accrued Salaries and salary-like expenses for 2018 totaling EUR 70 thousand (2017: two Directors and Salaries and salary-like expenses totaling EUR 149 thousand). The other directors did not receive remuneration for their role as they were remunerated by other company within SumUp group. The value of services they provide is estimated to be EUR 56 thousand for 2018 (2017: no such services).

There is no Director accruing benefits under a money purchase pension scheme (2017: none). No director has received benefits in the form of pension contributions during 2018 and 2017. No shares were granted to directors as part of their emoluments.

**20. Events after the balance sheet date**

On 31 January 2020 United Kingdom formally left the European Union. On this date a transitional period has started in which the United Kingdom remains member of the single market and customs union until end of 2020. Management of the Company intends to continue its normal operations on the UK market and maintain Company's E-money license with FCA in good standing.

Subsequent to the balance sheet date, there has been a sharp deterioration in the economic outlook in the UK as a consequence of the COVID-19 pandemic and measures taken by the government to control the spread of the virus. A significant reduction in UK economic output is now expected over an uncertain period with large rises in unemployment as a result of business closures and knock-on supply chain impacts. As a result of this, the Company is expected to be impacted in the year ahead by a reduction in its originally projected levels of income.

Given the deterioration in the economic outlook and the potential impact on the Company's levels of income, the directors considered the Company's going concern basis and the carrying values of all its assets in light of the evolving economic situation.

After the consideration, the Company concludes that no adjustments are required to carrying values as at 31 December 2018, and given the shape of the balance sheet at that time, no adjustments to the values of those assets and liabilities have subsequently been required.

The Company is continuing to trade and the sales volumes are now returning to pre-COVID-19 levels. The combination of an increase in sales volumes and the cost savings initiative implemented at the start of 2020, has increased the Company's level of cash since July 2020. However, due to the ongoing COVID-19 pandemic and the risk of a second lockdown, the directors have concluded that a material uncertainty remains regarding the Group's compliance with the financial maintenance covenants listed under its Senior Loan Agreement, within and beyond the period 12 months from the date of approval of the financial statements.