

**Squareup Europe Ltd.**

**Annual report and financial statements**

**Registered number 8957689**

**31 December 2019**



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## Directors' report

The directors present their report with the financial statements of Squareup Europe Ltd. (the "Company") for the year ended 31 December 2019.

### Principal Activity

Squareup Europe Ltd. is a UK private limited company, and is a wholly owned subsidiary of Squareup International Limited, which is itself a indirectly wholly owned subsidiary of Square, Inc. (Square). Square operates globally together with its direct and indirect subsidiaries (collectively, the "Square Group"). Square Group is a full service, managed payments technology company founded in 2009 and traded on the New York Stock Exchange under the ticker symbol "SQ". The Company is licensed with the Financial Conduct Authority (FCA) as an e-money institution and provides electronic payment process services to the general public in the UK.

### Business Review

The company reported an operating profit of £1,371,848 (2018: £1,022,056). The Company has net current assets of £12,423,301 (2018: £8,257,390). The Company has been profitable, has cash and is in a net asset position. The directors believe that the Company is well placed to manage its business risks successfully and are satisfied that the Company has, and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future.

During the year ended December 31, 2019, the Company restated the prior period financial statements to correct: (i) the presentation of income generated from group companies from other income to revenue, since the Company has concluded that providing services to group companies comprises core operations of the Company, and (ii) the accounting for share-based payments expense. Further details of these restatements are included in note 1 to the accounts.

### Principal risks and uncertainties

The principal risks and uncertainties relating to the Company and the industry in which it operates are consistent with those of the ultimate parent company, Square, Inc. as disclosed in the latest group financial statements (Item 1A. Risk Factors).

### Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company has been profitable, has cash and is in a net asset position. The directors believe that the Company is well placed to manage its business risks successfully and are satisfied that the Company has, and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company has been closely monitoring the impact of COVID-19 as the environment evolves. The Company has focused first on the health and safety of its employees, customers, and local communities, and prioritized investments and products that help address the needs of its customers during this time.

Prior to the COVID-19 impact, the Company had experienced a high-performing 2019 and was excited to start 2020 on a strong foot. With renewed priority around global and international expansion in the Company's 2020 plan, the company focused on growing the Square ecosystem in the UK, while expanding the Company's presence into other European markets. As the Company looks ahead to the second half of 2020, the COVID-19's impact could dampen the uplift and growth that was experienced in 2019.

However given the Company's strong liquidity, cash surplus, and intercompany agreement with its parent Company, the Company maintains that it is well positioned to weather the impact of COVID-19. In early Q2, the Company

31 December 2019

**Directors' report (continued)**

stress tested its balance sheet and concluded with confidence in its compliance with regulatory capital requirements throughout 2020.

**Subsequent Events**

The Company evaluated its 31 December 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could have a financial impact though such potential impact is unknown at this time. No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Proposed dividend**

The directors do not recommend the payment of a dividend (2018: nil).

**Directors and their interests**

The directors who held office during the year were as follows:

Sivan Whiteley  
Paul Deighton  
Melinda Roylett (resigned on 9 August 2019)  
Jason Lalor (appointed 26 February 2020)

The directors do not hold an interest in the share capital of the Company.

**Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

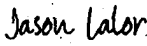
**Other information**

The Company has taken the small companies exemption in relation to the preparation of a strategic report.

**Auditor**

In accordance with Section 467(2) of the Companies Act 2006, the auditor, Ernst & Young, Chartered Accountants, who were appointed during the year, will continue in office.

By order of the board

DocuSigned by:  
  
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Jason Lalor  
Director  
1st July 2020

6<sup>th</sup> Floor  
One London Wall  
London  
EC2Y 5EB

## Directors' responsibilities

### Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQUAREUP EUROPE LIMITED**

**Opinion**

We have audited the financial statements of Squareup Europe Limited for the year ended 31 December 2019 which comprise Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

**Conclusions relating to going concern**

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

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

**Other information**

The other information comprises the information included in the Director's report set out on page 5, 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.

**Opinion 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.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQUAREUP EUROPE LIMITED (continued)**

**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 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 5, 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.

**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 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.

Brian Lenihan (Senior statutory auditor)

for and on behalf of Ernst & Young, Statutory Auditor

Dublin

Date: 3 July 2020

**Profit and Loss Account and Other Comprehensive Income***for the year ended 31 December 2019*

	Note	2019	2018
		£	(restated) £
Turnover	3	7,330,106	4,779,785
Cost of sales		<u>(4,672,264)</u>	<u>(2,025,749)</u>
<b>Gross profit</b>		<u>2,657,842</u>	<u>2,754,036</u>
Administrative expenses		(1,287,949)	(1,731,980)
Other operating income, net	5	1,955	—
<b>Operating profit</b>		<u>1,371,848</u>	<u>1,022,056</u>
Tax expense on profit on ordinary activities	8	(245,711)	(56,276)
<b>Profit for the financial year</b>		<u>1,126,137</u>	<u>965,780</u>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of income tax		—	—
<b>Total comprehensive income for the financial year</b>		<u>1,126,137</u>	<u>965,780</u>

*The accompanying notes are an integral part of these financial statements.*



**Balance Sheet***at 31 December 2019*

	Note	2019 £	2019 £	2018 (restated) £	2018 (restated) £
<b>Current assets</b>					
Deferred tax assets	9	1,991		4,207	
Debtors	10	3,907,741		3,994,080	
Cash at bank and in hand		15,394,436		11,844,557	
		<u>19,304,168</u>		<u>15,842,844</u>	
Creditors: amounts falling due within one year	11	<u>(6,880,867)</u>		<u>(7,585,454)</u>	
<b>Net current assets</b>		<u>12,423,301</u>		<u>8,257,390</u>	
Creditors: amounts falling due after one year		<u>(14,200)</u>		<u>—</u>	
<b>Net assets</b>			<u><u>12,409,101</u></u>		<u><u>8,257,390</u></u>
<b>Capital and reserves</b>					
Called up share capital	12	9,907,001		6,907,001	
Capital contribution reserve	12	595,798		570,224	
Profit and loss account		1,906,302		780,165	
<b>Shareholders' funds</b>		<u><u>12,409,101</u></u>		<u><u>8,257,390</u></u>	

These financial statements were approved by the board of directors on 1st July 2020 and were signed on its behalf by:

DocuSigned by:

*Jason Lalor*

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**Jason Lalor***Director*

Company registered number: 8957689

*The accompanying notes are an integral part of these financial statements.*

**Statement of Changes in Equity***at 31 December 2019*

	<b>Called up share capital</b>	<b>Capital contribution reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£
<b>2018 (restated)</b>				
Balance at 1 January 2018	3,907,001	499,954	(185,615)	4,221,340
Issue of Shares	3,000,000			3,000,000
Share based payment charges		70,270		70,270
Total comprehensive income for the year			965,780	965,780
Balance at 31 December 2018	6,907,001	570,224	780,165	8,257,390
<b>2019</b>				
Balance at 1 January 2019	6,907,001	570,224	780,165	8,257,390
Issue of Shares	3,000,000			3,000,000
Share based payment charges		25,574		25,574
Total comprehensive income for the year			1,126,137	1,126,137
<b>Balance at 31 December 2019</b>	<b>9,907,001</b>	<b>595,798</b>	<b>1,906,302</b>	<b>12,409,101</b>

*The accompanying notes are an integral part of these financial statements.*

## Notes

*(forming part of the financial statements)*

### 1. General information and accounting policies

#### *Basis of Preparation*

Squareup Europe Ltd. (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Square, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Square Inc. are prepared in accordance with US GAAP and are available to the public and may be obtained from [www.squareup.com/about/investors](http://www.squareup.com/about/investors).

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of the compensation of key management personnel;
- Certain disclosures regarding revenue;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Square Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on the historical cost basis.

#### *Restatement of prior period financial statements*

During the year ended December 31, 2019, the Company restated the prior period financial statements to correct: (i) the presentation of income generated from group companies from other income to revenue, since the Company has concluded that providing services to group companies comprises core operations of the Company, and (ii) the accounting for share-based payments expense. The Company also corrected the prior period statement of changes in equity for the presentation of share-based payments associated with shares issued to its employees by its Parent company.

**Notes (continued)**

The table below reflects the impact of the prior period errors on each financial statement line item affected:

Extract 2018	2018 £ As previously reported	Adjustment £	2018 £ Restated
<b>Profit and loss account and total comprehensive income</b>			
Turnover	3,576,225	1,203,560	4,779,785
Administrative expenses	(1,778,344)	46,364	(1,731,980)
Other operating income	1,203,560	(1,203,560)	—
Total comprehensive income for the financial year	919,416	46,364	965,780
<b>Balance sheet and statement of changes in equity</b>			
Capital contribution reserve	327,497	242,727	570,224
Profit and loss account	1,022,891	(242,727)	780,164

**Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company has been profitable, has cash and is in a net asset position. The directors believe that the Company is well placed to manage its business risks successfully and are satisfied that the Company has, and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future.

It is the Directors' view, to the best of our current knowledge, that COVID-19 will not have a material adverse impact on the company's ability to continue as a going concern. Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Directors' Report.

**Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other debtors, cash equivalents and trade and other creditors.

**Trade and other debtors**

Short term debtors are measured at fair value, less any impairment.

## Notes (continued)

### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value.

### *Settlement receivable*

Settlements receivable represents amounts due from third-party payment processors for customer transactions. Settlements receivable are typically received within one to three business days of the transaction date.

### *Customer payable*

Customer payable represents the transaction amounts, less revenue earned by the Company, owed to sellers. The payable amount comprises amounts owed to customers due to timing differences, amounts held by the Company in accordance with its risk management policies, and amounts held for customers who have not yet linked a bank account.

### *Turnover*

The Company generates transaction revenue by charging its sellers a transaction fee for managed payments solutions that is generally calculated as a percentage of the total transaction amount processed. The Company collects the transaction amount from the seller's customer's bank, net of acquiring interchange and assessment fees, processing fees, and bank settlement fees paid to third-party payment processors and financial institutions. Revenue is recognised net of refunds, which arise from reversals of transactions initiated by sellers. The Company retains its fees and remits the net amount to the sellers.

The transaction fees collected from sellers are recognised as revenue on a gross basis as the Company is the principal in the delivery of the managed payments solutions to the sellers. The Company has concluded it is the principal, because as the merchant of record, it controls the services before delivery to the seller, it is primarily responsible for the delivery of the services to its sellers, and it has discretion in setting prices charged to sellers. The Company also has the unilateral ability to accept or reject a transaction based on criteria established by the Company. As the merchant of record, the Company is liable for the costs of processing the transactions for its sellers, and records such costs within cost of sales.

### *Expenses*

#### *Lease payments*

Lease payments (excluding costs for services and insurance) made under leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

#### *Share-based payment transactions*

Certain qualifying employees of the Company are remunerated on a long-term basis through the granting of equity awards including restricted stock and restricted stock units (collectively referred to as restricted stock, hereinafter RSUs in the ultimate parent company Square Inc.). Employees are entitled to RSUs in accordance with the Square global policy. RSUs granted under the 2015 plan generally vest over four years.

RSUs given to employees are recognised as an expense based on the fair value as of the grant date. The fair value of RSUs is determined by the closing price of Square's common stock on each grant date. Share-based compensation expense is recorded using the accelerated method over the requisite service period.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant-date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The

## Notes (continued)

amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods. RSUs under this program will vest if the participant remains employed for the agreed vesting period.

Eligible employees can also participate in Square Inc.'s 2015 Employee Stock Purchase Plan (ESPP) that became effective on November 17, 2015. The ESPP allows eligible employees to purchase shares of Square's common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. The ESPP provides for 12-months offering periods. Each offering period includes two purchase periods, which begin on the first trading day on or after November 15 and May 15, and ending on the last trading day on or before May 15 and November 15, respectively. Employees are able to purchase shares at 85% of the lower of the fair market value of Square's common stock on the first trading day of the offering period or the last trading day of the purchase period. The fair value of the grants under the ESPP plans is determined at the commencement date of the offering period using an option valuation model and is recognized as expense on a straight line over the respective purchase periods.

### *Income Taxes*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## **2. Accounting estimates and judgements**

### *Key sources of estimation uncertainty*

There are no key assumptions concerning the future or other key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

### *Critical accounting judgements in applying the Company's accounting policies*

Application of the various accounting principles in IFRS requires that we make judgments and estimates related to the classification, measurement and recognition of revenue. Complex arrangements may require significant judgment in contract interpretation to determine the appropriate accounting. Specifically, under IFRS 15, the determination of whether the Company is a principal in the delivery of managed payments solutions and therefore recognize the revenue on a gross basis, or if the Company is an agent and therefore recognize revenue on a net basis can require considerable judgment. We have concluded that the Company is the principal in these arrangements because it controls the services or product before delivery to the customers, is the legal merchant of record and has the unilateral ability to accept or reject a transaction based on criteria we have established.

**Notes (continued)****3. Turnover**

	2019	2018 (restated)
	£	£
Transaction-based revenue	7,299,154	3,576,225
Intercompany income	30,952	1,203,560
	<u>7,330,106</u>	<u>4,779,785</u>

All turnover is derived within the UK.

**4. Expenses and auditor's remuneration**

	2019	2018 (restated)
	£	£
<i>Included in profit/loss are the following:</i>		
Lease expense	35,700	47,040
Professional fees	<u>459,368</u>	<u>728,833</u>

*Auditor's remuneration:*

Audit of these financial statements	30,000	32,000
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**5. Other operating income**

	2019	2018 (restated)
	£	£
Interest income, net	1,955	—

**Notes (continued)****6. Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Management	—	1
Staff	4	3
	<u>4</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018 (restated)
	£	£
Wages and salaries	251,775	545,190
Share-based payments	1,658	70,270
Social security costs	68,587	127,401
Other benefits	27,427	25,573
	<u>349,447</u>	<u>706,670</u>

**7. Remuneration of directors**

	2019	2018
	£	£
Directors' remuneration	<u>27,141</u>	<u>296,958</u>

During the year there were £0 in retirement benefits accruing to directors (2018: £3,000) in respect of pension schemes.



**Notes (continued)****8. Income Taxes*****Recognised in the profit and loss account***

	2019 £	2019 £	2018 £	2018 £
<i>Current tax</i>				
UK corporation tax charge for the year	251,704		19,383	
Adjustments in respect of prior periods	<u>(9,064)</u>		<u>—</u>	
Total current tax charge		242,640		19,383
<i>Deferred tax</i>				
Origination and reversal of temporary differences	468		50,563	
Adjustments in respect of prior periods	<u>2,603</u>		<u>(13,670)</u>	
Total deferred tax expense/(credit)		<u>3,071</u>		<u>36,893</u>
Total tax expense/(credit) on profit on ordinary activities		<u><u>245,711</u></u>		<u><u>56,276</u></u>

***Factors affecting the tax charge***

	2019 £	2018 (restated) £
Profit on ordinary activities before tax	1,371,847	1,022,056
Current tax at 19% (2018: 19%)	260,651	194,191
Effects of:		
Non-deductible items	605	749
Tax deduction allowable on vested Restricted Stock Units	—	(86,820)
Effect of UK group relief	—	(38,459)
Under/(over) provided in prior years	(6,461)	(13,671)
Reduction in tax rate on deferred tax balances	(1,006)	286
Share-based payments adjustment	<u>(8,078)</u>	<u>—</u>
Total tax expense/(benefit)	<u><u>245,711</u></u>	<u><u>56,276</u></u>

**Notes (continued)****9. Deferred tax assets**

Deferred tax assets are attributable to the following

*Movement in deferred tax assets:*

	Share based payments	Other Reserves	Total
	£	£	£
At 1 January 2019	1,794	2,414	4,208
(Charge)/credit to Income Statement	(657)	(2,414)	(3,071)
(Charge)/credit to Equity	854	—	—
At 31 December 2019	<b>1,991</b>	<b>—</b>	<b>1,991</b>

At 31 December 2019 the Company did not have any tax losses to carry forward (2018: £0).

*Factors affecting future tax charges*

The main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017 and to 17% from 1 April 2020. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences and capital allowances are expected to reverse.

**10. Debtors**

	2019	2018
	£	£
Settlement receivables	<b>2,638,988</b>	1,690,706
Amounts owed by group undertakings	<b>1,238,453</b>	2,193,073
Other debtors	<b>30,300</b>	110,300
	<b><u>3,907,741</u></b>	<b><u>3,994,079</u></b>

**Notes (continued)**

As of the year ended December 31 2019, the Company had amounts owed by group undertakings of €2,599 from Square Inc, €541,423 from Squareup (UK) Ltd. and €694,329 from Squareup International Ltd.

**11. Creditors**

	2019	2018
	£	£
Trade creditors	88,120	9,704
Customer payable	4,010,494	3,089,656
Amounts owed to group undertakings	2,179,381	4,130,002
Accruals	357,309	77,927
Taxation and social security	230,757	57,640
Other creditors	14,806	220,525
Creditors: amounts falling due within one year	6,880,867	7,585,454
Provisions for liabilities and charges	14,200	0
Total	6,895,067	7,585,454

As of the year ended December 31, 2019 the Company had amounts owed to group undertakings that include £3,844 to Square, Inc., to £469,336 Squareup Europe Ltd., and £1,706,181 to Squareup International Ltd.

**12. Called up share capital and capital contributions**

	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	9,907,001	6,907,001
Capital contribution reserve	595,798	570,224

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year the Company issued 3,000,000 £1 ordinary shares. The Company has a capital contribution reserve of £595,798 (2018: £570,224) which represents the compensation expense related to shares of Square, Inc. granted to certain employees as part of their participation in the Restricted Stock Unit (RSU) and Employee Stock Purchase Plan (ESPP) program, administered by Square, Inc., the ultimate parent company.

**13. Ultimate parent company**

The Company is a wholly owned subsidiary of Squareup International Limited, which is itself an indirectly wholly owned subsidiary of Square, Inc. which is the ultimate parent company and ultimate controlling party incorporated in the USA.

The largest group in which the results of the Company are consolidated is that headed by Square, Inc., incorporated in the USA. No other group financial statements include the results of the Company. The consolidated financial statements of this group is available to the public and may be obtained from [www.squareup.com/about/investors](http://www.squareup.com/about/investors).

## Notes (continued)

### 14. Subsequent Events

The Company has performed an evaluation of subsequent events through the date the financial statements were issued.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The Company has been closely monitoring the impact of COVID-19 as the environment evolves. The Company has focused first on the health and safety of its employees, customers, and local communities, and prioritized investments and products that help address the needs of its customers during this time.

Prior to the COVID-19 impact, the Company had experienced a high-performing 2019 and was excited to start 2020 on a strong foot. With renewed priority around global and international expansion in the Company's 2020 plan, the company focused on growing the Square ecosystem in the UK, while expanding the Company's presence into other European markets. As the Company looks ahead to the second half of 2020, the COVID-19's impact could dampen the uplift and growth that was experienced in 2019.

However given the Company's strong liquidity, cash surplus, and intercompany agreement with its parent Company, the Company maintains that it is well positioned to weather the impact of COVID-19. In early Q2, the Company stress tested its balance sheet and concluded with confidence in its compliance with regulatory capital requirements throughout 2020.

It is the Directors' view, to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the Company's ability to continue as a going concern.

With the exception the Company's evaluation of the potential impacts of the COVID-19 outbreak described above, there were no material subsequent events that occurred between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements.