

**Squareup Europe Limited**

**Annual report and financial statements**

**Registered number 8957689**

**31 December 2016**

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## **Directors' report**

The directors' present their report with the financial statements of the company for the year ended 31 December 2016.

### **Principal Activity**

The company's principal activity is to service electronic payment processing.

### **Business Review**

Squareup Europe Limited (the Company) is a UK private limited company, and is a wholly owned subsidiary of Square, Inc. ("Square"), an electronic payment processing/acquiring company founded in 2009 and traded on the New York Stock Exchange under the ticker symbol "SQ". Square operates globally together with its direct and indirect subsidiaries (collectively, the "Square Group"). The Company was formed to operate as the licensed Square Group entity that will provide payments related services in the UK and across Europe.

On 1 April 2016 the Company received its license with the Financial Conduct Authority (FCA). During March 2017, the Company officially began to use paid marketing to grow its electric payment processing business in the UK. Activity is expected to ramp up in the future as a result. Prior to this, activity is limited to various marketing activities to support the testing phase.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2015: nil).

### **Director**

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

Hillary Smith (appointed on 25 April 2017)

Sarah Harvey (appointed on 5 May 2017)

Francoise Brougher (resigned on 25 April 2017)

Daniel Harper (resigned on 5 May 2017)

### **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**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**Sarah Harvey**  
Director

14 June 2017

1<sup>st</sup> Floor  
10 Bloomsbury Way  
London  
UK WC1A

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## **Statement of directors' responsibilities in respect of the Directors' 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **Independent auditor's report to the members of Squareup Europe Limited**

We have audited the financial statements of Squareup Europe Limited for the year ended 31 December 2016 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Jonathan Russell (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
Arlington Business Park  
Theale  
RG74SD

14 June 2017

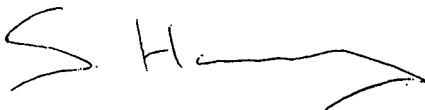
**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b>	2015
		£	£
Turnover	3	11,073	-
Cost of sales		(15,284)	-
Administrative expenses		(584,747)	(31,326)
Other operating income	5	606,783	-
<b>Operating income/(loss)</b>	4	<b>17,825</b>	<b>(31,326)</b>
Tax credit/(expense) on profit/(loss) on ordinary activities	8	2,440	-
<b>Profit/ (loss) for the financial year</b>		<b>20,265</b>	<b>(31,326)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of income tax		-	-
<b>Total comprehensive income/(loss) for the financial year</b>		<b>20,265</b>	<b>(31,326)</b>

**Balance Sheet**  
*at 31 December 2016*

	<i>Note</i>	2016 £	2016 £	2015 £	2015 £
<b>Current assets</b>					
Debtors	9	735,827		1,089	
Cash at bank and in hand		3,310,933		6,285	
		<u>4,046,760</u>		<u>7,374</u>	
<b>Creditors: amounts falling due within one year</b>	<i>10</i>	<u>(150,820)</u>		<u>(31,699)</u>	
<b>Net assets</b>			<u>3,895,940</u>		<u>(24,325)</u>
<b>Capital and reserves</b>					
Called up share capital	<i>11</i>		3,907,001		7,001
Profit and loss account			<u>(11,061)</u>		<u>(31,326)</u>
<b>Shareholders' funds</b>			<u>3,895,940</u>		<u>(24,325)</u>

These financial statements were approved by the board of directors on 14 June 2017 and were signed on its behalf by:



**Sarah Harvey**  
*Director*

Company registered number: 8957689

**Statement of Changes in Equity**  
*at 31 December 2016*

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January 2015	1	-	1
Issue of Shares	7,000	-	7,000
Total comprehensive loss for the year	-	(31,326)	(31,326)
Balance at 31 December 2015	7,001	(31,326)	(24,325)
Issue of Shares	3,900,000	-	3,900,000
Total comprehensive income for the year	-	20,265	20,265
<b>Balance at 31 December 2016</b>	<b>3,907,001</b>	<b>(11,061)</b>	<b>3,895,940</b>



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Basis of Preparation*

Squareup Europe Limited (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”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- Disclosures in respect of the compensation of Key Management Personnel

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 (those colour coded in purple):

- IFRS 2 Share Based Payments in respect of group settled share based payments

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.

#### *Going concern*

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. The directors therefore continue to adopt the going concern basis in preparing the annual report and financial statements. In addition, the Company’s ultimate parent company, Square Inc., has agreed to provide financial support for the next 12 months from the date of this report should the Company need it to continue trading and to meet its liabilities as they fall due for payment.

#### *Foreign currency*

Transactions in foreign currencies are translated to the Company’s functional currencies 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognized in the profit and loss account.

#### *Non-derivative financial instruments*

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

#### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *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.

#### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *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*

Transaction revenue consists of fees a seller pays the Company to process their payment transactions and is recognised upon authorization of a transaction. Revenue is recognised net of refunds, which are reversals of transactions initiated by sellers. The Company acts as the merchant of record for its sellers, which puts the Company in their shoes with respect to card networks and puts the risk for refunds and chargebacks on the Company. Because the Company work directly with payment card networks and banks, sellers do not need to manage the complex systems, rules, and requirements of the payments industry.

The Company, in conjunction with its affiliate, Squareup International Ltd, charges its sellers a transaction fee for payment processing services equal to approximately 1.75% of the total transaction amount for processing card-present transactions or 2.5% of the total transaction amount for processing card not present transactions.

The gross transaction fees collected from sellers is recognised as revenue on a gross basis as the Company is the primary obligor to the seller and are responsible for processing the payment, have latitude in establishing pricing with respect to the sellers and other terms of service, have sole discretion in selecting the third party to perform the settlement, and assume the credit risk for the transaction processed.

#### *Expenses*

##### *Operating lease payments*

Payments (excluding costs for services and insurance) made under operating 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*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

#### *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.

***Adopted IFRS not yet applied***

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

**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*

There are no critical accounting judgements in applying the Company's accounting policies.

**3 Turnover**

	2016 £	2015 £
Transaction revenue	11,073	-
	<u>          </u>	<u>          </u>

All turnover is derived within the UK

**4 Auditor's remuneration**

	2016 £	2015 £
Audit of these financial statements	7,500	5,000
	<u>          </u>	<u>          </u>

**5 Other Operating Income**

	2016 £	2015 £
Intercompany recharges	606,783	-
	<u>          </u>	<u>          </u>

**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:

	<b>Number of employees</b>	
	<b>2016</b>	<b>2015</b>
Management	<b>3</b>	1
Staff	<b>1</b>	-
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>4</b>	1
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The aggregate payroll costs of these persons was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>141,478</b>	19,676
Share-based payments	<b>23,436</b>	-
Social security costs	<b>44,485</b>	-
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<b>181,923</b>	19,676
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

**7 Remuneration of directors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	<b>78,709</b>	19,676
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

During the year no retirement benefits were accruing to directors (2015: none) in respect of pension schemes.

## 8 Income Taxes

### *Recognised in the profit and loss account*

	2016	2016	2015	2015
	£	£	£	£
<i>Current tax</i>				
UK corporation tax charge for the year	1,491		-	
	<hr/>		<hr/>	
Total current tax charge		1,491		-
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(3,931)		-	
	<hr/>		<hr/>	
Total deferred tax credit		(3,931)		-
		<hr/>		<hr/>
Total tax credit on profit on ordinary activities		(2,440)		-
		<hr/> <hr/>		<hr/> <hr/>

### *Factors affecting the tax charge*

	2016	2015
	£	£
Profit/(loss) on ordinary activities before tax	17,825	(31,326)
Current tax at 20% (2015: 20.25%)	3,565	(6,344)
Effects of:		
Non-deductible items	107	-
Reduction in tax rate on deferred tax balances	232	-
Recognition of previously unrecognised tax losses	(6,344)	-
Current year losses for which no deferred tax asset was recognised	-	6,344
	<hr/>	<hr/>
Total tax benefit	(2,440)	-
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2016 the company had unrecognised tax losses carried forward of £nil (2015: £31,326).

### *Factors affecting future tax charges*

Reductions in the UK corporation tax rate were substantively enacted in the year. 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.

**9 Debtors**

	2016	2015
	£	£
Settlement receivables	10,395	1
Amounts owed by group undertakings	662,257	-
Other debtors	59,244	1,088
Deferred tax assets	3,931	
	735,827	1,089
	735,827	1,089

**10 Creditors: amounts falling due within one year**

	2016	2015
	£	£
Trade creditors	12,028	-
Customer payable	5,296	-
Amounts owed to group undertakings	109,824	21,742
Accruals	8,607	9,957
Taxation and social security	15,065	-
	150,820	31,699
	150,820	31,699

**11 Called up share capital**

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	3,907,001	7,001
	3,907,001	7,001

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 3,900,000 £1 ordinary shares for a consideration of £3,900,000 settled in cash.

**12 Ultimate parent company**

The Company is a subsidiary undertaking 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).