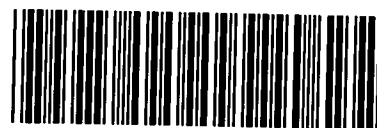


# **Squareup Europe Ltd.**

## **Annual report and financial statements**

**Registered number 8957689  
31 December 2022**

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## Management report

### Strategic Report

#### Principal Activity

The Company is a private limited company incorporated in the United Kingdom ("UK"), a directly wholly owned subsidiary of Squareup International Limited (the "Parent"), and an indirectly wholly owned subsidiary of Block, Inc. ("Block" or "Ultimate Parent"), a company traded on the New York Stock Exchange under the ticker symbol "SQ". Block is a global technology company with a focus on building tools to help more people access the economy, it operates globally with its direct and indirect subsidiaries Square, Cash App, Spiral, TIDAL, and TBD (collectively, the "Block Group").

The Company's activities are specifically related to Block operations for Square and Cash App in the UK. Square helps sellers (i.e. existing customers of the Parent's management payments solution platform) run and grow their businesses with its integrated ecosystem of commerce solutions, business software, and banking services. Individuals use Cash App to spend, send, store, and invest money.

The Company is licensed by the Financial Conduct Authority ("FCA") as an e-money institution authorising the Company to issue e-money and provide payment services, including: storing electronic balances, acting as an acquirer, and issuing payment instruments to customers in the UK.

#### Business Review

The Company reported an operating profit of £20,585,828 (2021: £9,469,535). The Company has net current assets of £180,184,221 (2021: £23,526,768). The Company has available cash balances of £92,437,320 and is in a positive net asset position.

#### 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 Block, as disclosed in Block's Annual Report on Form 10-K for the fiscal year ended 31 December 2022, Item 1A. Risk Factors. The Company monitors risks to ensure mitigation measures are put in place for those within its control. The directors consider the key risks affecting the Company to be:

*Risks related to our business and our industry:*

*Our business depends on our ability to maintain, protect, and enhance our brands.*

Having a strong and trusted brand has contributed significantly to the success of our business. We believe that maintaining, promoting, and enhancing the Square brand and our other brands, in a cost-effective manner is critical to achieving widespread acceptance of our products and services and expanding our base of customers. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business could be materially and adversely affected.

*Competition: our ability to develop products and services to address the rapidly evolving market for payments and financial services.*

If we are unable to provide enhancements and new features for our products and services or to develop new products and services that achieve market acceptance or that keep pace with rapid technological developments and evolving industry standards, our business would be materially and adversely affected.

## Management report (continued)

### *Operational risks*

#### *Our dependence on payment card networks and acquiring processors.*

Our business depends on our ability to accept credit and debit cards, and this ability is provided by the payment card networks, including Visa, MasterCard and American Express. These payment card networks and acquiring processors may fail or refuse to process transactions adequately, may breach their agreements with us, or may refuse to renegotiate or renew these agreements on terms that are favorable or commercially reasonable.

### *Economic, financial, and tax risks*

#### *A deterioration of general macroeconomic conditions could materially and adversely affect our business and financial results.*

Our business is exposed to the risk of foreign exchange losses, increased interest rates and inflation having an adverse impact on served markets. Our performance is subject to economic conditions and their impact on levels of spending by businesses and individuals.

We are also monitoring developments related to the United Kingdom's exit from the European Union. Brexit could have significant implications for our business and could lead to economic and legal uncertainty and increasingly divergent laws, regulations, and licensing requirements. Any of these effects of Brexit, among others, could adversely affect our operations and financial results.

### *Legal, regulatory, and compliance risks*

#### *Extensive regulation and oversight in a variety of areas of our business*

Foreign and domestic laws and regulations apply to many key aspects of our business. Any actual or perceived failure to comply with these requirements may result in, among other things, revocation of required licenses or registrations, loss of approved status, private litigation, regulatory or governmental investigations, administrative enforcement actions, sanctions, civil and criminal liability, and constraints on our ability to continue to operate.

### *Cyber risk*

*We, our sellers, our partners, and others who use our services obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorised use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material and adverse effect on our business.*

In addition, potential cyber attacks could pose business continuity issues. Potential cyber risk is actively monitored. A detection and response team monitors and investigates suspicious activities and an incident response plan is activated if an investigation confirms that an incident has occurred. Various technology controls exist, such as an endpoint protection solution, network intrusion detection solution, secure DNS solution, hardened systems, data encryption etc.

Regularly occurring technical testing is undertaken, such as vulnerability management, penetration testing, red team/blue team exercises, mobile application testing, etc. Robust controls on card-present acceptance channels that use Square mobile applications and hardware (Card-not-present channels have less visibility to the data entry point e.g., Square's Virtual Terminal and eCommerce API).

**Management report (continued)****Principal key performance indicators ("KPIs") used by management to monitor performance**

The principal KPIs used by management to monitor performance are turnover, gross profit and net current assets:

|                    | 2022        | 2021       |
|--------------------|-------------|------------|
|                    | £           | £          |
| Turnover           | 43,028,256  | 25,075,126 |
| Gross profit       | 23,734,076  | 12,182,102 |
| Net current assets | 180,184,221 | 23,526,768 |

By order of the board

DocuSigned by:

Samina Hussain-Letch

Samina Hussain-Letch  
Director

20 September 2023

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

## **Management report (continued)**

### **Directors' Report**

The directors present their annual report with the financial statements of Squareup Europe Ltd. (the "Company") for the year ended 31 December 2022.

#### **Directors**

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

|                                    |                             |
|------------------------------------|-----------------------------|
| Paul Deighton                      |                             |
| Richard Bayer                      | Appointed 13 September 2022 |
| Sivan Whiteley                     | Resigned 16 February 2023   |
| Jason Lalor                        | Resigned 17 January 2023    |
| Kaushalya Somasundaram (Secretary) | Resigned 8 August 2022      |
| Samina Hussain-Letch               | Appointed 25 May 2023       |

#### **Proposed dividend**

The directors do not recommend the payment of a dividend (2021: nil).

#### **Political donations**

The Company made no political donations during the period.

#### **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, with strong liquidity, has available cash balances of £92,437,320 and is in a net asset position. Together with the strong financial position and a letter of support from its Ultimate Parent, 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 letter of support includes a commitment to provide financial support in maintaining the Company's operations and to meet its obligations as they fall due for at least the next 12 months from the date of approval and issuance of this report.

The Company monitors its regulatory capital position on a periodic basis and can conclude that it was in compliance throughout 2022.

#### **Subsequent Events**

The Company evaluated its 31 December 2022 financial statements for subsequent events through the date the financial statements were issued. No other matter or circumstance has arisen since 31 December 2022 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.

#### **Likely future developments**

The directors anticipate growth in the coming financial year, with no changes to the principal activities of the company.

## Management report (continued)

### 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.

### Auditor

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

By order of the board

DocuSigned by:

Samina Hussain-Letch

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**Samina Hussain-Letch**  
Director

20 September 2023

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.

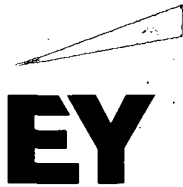
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure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

## **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 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 16, 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".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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. 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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 8, 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.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

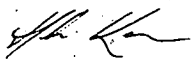
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Electronic Money Regulations 2011 by the Financial Conduct Authority and Companies Act 2006 in the United Kingdom.
- We understood how Squareup Europe Limited is complying with those frameworks by making inquiries of key management, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and regulatory bodies; reviewed minutes of the Board; and gained an understanding of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with key management. We also reviewed the Company's fraud-related policies.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management, reviewing the key policies and reviewing correspondence exchanged with regulatory bodies.

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 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.



Helen Kerr (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin  
26 September 2023

**Profit and Loss Account and Other Comprehensive Income***for the year ended 31 December 2022*

|                                                            | Note | 2022              | 2021              |
|------------------------------------------------------------|------|-------------------|-------------------|
|                                                            |      | £                 | £                 |
| Turnover                                                   | 3    | 43,028,256        | 25,075,126        |
| Cost of sales                                              |      | (19,294,180)      | (12,893,024)      |
| <b>Gross profit</b>                                        |      | <b>23,734,076</b> | <b>12,182,102</b> |
| Administrative expenses                                    | 4    | (3,309,115)       | (2,712,840)       |
| Other operating income/expense, net                        | 5    | 160,867           | 273               |
| <b>Operating profit</b>                                    |      | <b>20,585,828</b> | <b>9,469,535</b>  |
| Tax expense on profit on ordinary activities               | 8    | (3,937,498)       | (1,472,230)       |
| <b>Profit for the financial year</b>                       |      | <b>16,648,330</b> | <b>7,997,305</b>  |
| <b>Other comprehensive income</b>                          |      |                   |                   |
| Other comprehensive income for the year, net of income tax |      | —                 | —                 |
| <b>Total comprehensive income for the financial year</b>   |      | <b>16,648,330</b> | <b>7,997,305</b>  |

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

**Balance Sheet**

at 31 December 2022

|                                                | Note | 2022               | 2022 | 2021              | 2021 |
|------------------------------------------------|------|--------------------|------|-------------------|------|
|                                                |      | £                  | £    | £                 | £    |
| <b>Current assets</b>                          |      |                    |      |                   |      |
| Cash and similar deposits                      | 9    | 166,192,457        |      | 30,863,667        |      |
| Deferred tax assets                            | 10   | 8,347              |      | 75,195            |      |
| Debtors                                        | 11   | 33,456,526         |      | 14,338,720        |      |
| Loans                                          | 12   | 22,656,995         |      | —                 |      |
|                                                |      | <u>222,314,325</u> |      | <u>45,277,582</u> |      |
| Creditors: amounts falling due within one year | 13   | (42,130,104)       |      | (21,750,814)      |      |
| <b>Net current assets</b>                      |      | <u>180,184,221</u> |      | <u>23,526,768</u> |      |
| Creditors: amounts falling due after one year  |      | —                  |      | (12,384)          |      |
| <b>Net assets</b>                              |      | <u>180,184,221</u> |      | <u>23,514,384</u> |      |
| <b>Capital and reserves</b>                    |      |                    |      |                   |      |
| Called up share capital                        | 14   | 9,921,001          |      | 9,907,001         |      |
| Share premium                                  | 14   | 139,986,000        |      | —                 |      |
| Capital contribution reserve                   | 14   | 1,156,345          |      | 1,134,838         |      |
| Profit and loss account                        |      | <u>29,120,875</u>  |      | <u>12,472,545</u> |      |
| <b>Shareholders' funds</b>                     |      | <u>180,184,221</u> |      | <u>23,514,384</u> |      |

These financial statements were approved by the board of directors on 20 September 2023 and were signed on its behalf by:

DocuSigned by:

Samina Hussain-Letch

Samina Hussain-Letch

Director

Company registered number: 8957689

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

**Statement of Changes in Equity***at 31 December 2022*

|                                         | Called up<br>share<br>capital<br>£ | Share<br>Premium<br>£ | Capital<br>contribution<br>reserve<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£  |
|-----------------------------------------|------------------------------------|-----------------------|-----------------------------------------|---------------------------------|--------------------|
| <b>2021</b>                             |                                    |                       |                                         |                                 |                    |
| <b>Balance at 1 January 2021</b>        | 9,907,001                          | —                     | 858,767                                 | 4,475,240                       | 15,241,008         |
| Share based payment charges             | —                                  | —                     | 276,071                                 | —                               | 276,071            |
| Total comprehensive income for the year | —                                  | —                     | —                                       | 7,997,305                       | 7,997,305          |
| <b>Balance at 31 December 2021</b>      | <b>9,907,001</b>                   | <b>—</b>              | <b>1,134,838</b>                        | <b>12,472,545</b>               | <b>23,514,384</b>  |
| <b>2022</b>                             |                                    |                       |                                         |                                 |                    |
| <b>Balance at 1 January 2022</b>        | <b>9,907,001</b>                   | <b>—</b>              | <b>1,134,838</b>                        | <b>12,472,545</b>               | <b>23,514,384</b>  |
| Issue of shares                         | 14,000                             | 139,986,000           | —                                       | —                               | 140,000,000        |
| Share based payment charges             | —                                  | —                     | 21,507                                  | —                               | 21,507             |
| Total comprehensive income for the year | —                                  | —                     | —                                       | 16,648,330                      | 16,648,330         |
| <b>Balance at 31 December 2022</b>      | <b>9,921,001</b>                   | <b>139,986,000</b>    | <b>1,156,345</b>                        | <b>29,120,875</b>               | <b>180,184,221</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 UK ("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, Block, Inc. ("Block", "Ultimate Parent") includes the Company in its consolidated financial statements. The consolidated financial statements of Block 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;
- Related Party Transactions; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Block 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.

#### ***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's Ultimate Parent company, Block Inc., has agreed to provide financial support for at least the next 12 months from the date of this report to allow the Company to continue trading and to meet its liabilities as they fall due for payment. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**Notes (continued)**

The Company has been profitable, with strong liquidity, has a cash surplus 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.

**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.

**Cash and other similar deposits**

Cash and other similar deposits comprise of cash at banks and in hand, as well as cash held in safeguarded accounts for customer funds.

**Trade and other debtors**

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

**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.

**Loans**

Loans are initially recognised at fair value upon origination. Subsequent classification is determined by both the Company's business model for managing the loans and the contractual cash flow characteristics.

The Company subsequently measures all of its loans at fair value through profit or loss ("FVPL") as there is an available market for such loans and it is the Company's intent to sell all of its rights, title, and interest in these loans. Loans are either repaid through withholding a percentage of the collections of the seller's receivables processed by the Company or a specified monthly amount. Loans are recorded at fair value which is determined on an individual loan basis. To determine the fair value, the Company utilises valuation modeling, such as discounted cash flow models, taking into account the estimated timing and amounts of periodic repayments. In estimating the expected timing and amounts of the future periodic repayments for the loans outstanding, the Company considered other relevant market data.

**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.



**Notes (continued)****Turnover***Transaction-based revenue*

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 selectively offers custom pricing for certain sellers. 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.

*Financial revenue*

Financial revenue is primarily comprised of revenue the Company generates from providing business loans to sellers for a predetermined fee percentage at the point in time the loan is originated. Revenue is recognised at the point in which a seller processes transactions after taking the loan out, as a portion is withheld for repayment. The related difference between carrying value and purchase price is then amortised over the life of the loan when purchased at a premium, or as an increase to financial revenue when purchased at a discount using the same effective interest method.

**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 and directors of the Company are remunerated on a long-term basis through the granting of equity awards including restricted stock awards ("RSAs") and restricted stock units ("RSUs"), collectively referred to as "restricted stock", hereinafter, in the Ultimate Parent company Block Inc. Employees are entitled to restricted stock in accordance with the Block global policy. Restricted stock granted under the 2015 plan generally vest over four years.

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

**Notes (continued)**

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 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. Under this program, restricted stock will vest if the participant remains employed for the agreed vesting period.

Eligible employees can also participate in Block Inc.'s 2015 Employee Stock Purchase Plan (ESPP) that became effective on November 17, 2015. The ESPP allows eligible employees to purchase shares of Block'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 Block'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 recognised 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.

**Notes (continued)**

The Company is exposed to transaction losses due to chargebacks as a result of fraud or uncollectibility of transaction payments. The estimate of accrued transaction losses is based on available data as of the reporting date, including expectations of future chargebacks, and historical trends related to loss rates that is continuously adjusted for new information and incorporates, where applicable, reasonable and supportable forecasts about future expectations.

**3. Turnover**

|                           | 2022              | 2021              |
|---------------------------|-------------------|-------------------|
|                           | £                 | £                 |
| Transaction-based revenue | 40,385,914        | 25,075,126        |
| Financial revenue         | 2,642,342         | —                 |
|                           | <b>43,028,256</b> | <b>25,075,126</b> |

All turnover is derived within the UK.

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

|                                                   | 2022      | 2021    |
|---------------------------------------------------|-----------|---------|
|                                                   | £         | £       |
| <i>Included in profit/loss are the following:</i> |           |         |
| Wages and benefits                                | 866,340   | 754,508 |
| Lease expense                                     | 75,148    | 77,850  |
| Professional fees                                 | 1,115,688 | 946,874 |
| <i>Auditor's remuneration:</i>                    |           |         |
| Audit of these financial statements               | 69,576    | 50,558  |
| Safeguarding Audit                                | 69,576    | 63,303  |

**5. Other operating income/expense**

|                      | 2022           | 2021       |
|----------------------|----------------|------------|
|                      | £              | £          |
| Interest income, net | 160,867        | 273        |
|                      | <b>160,867</b> | <b>273</b> |

**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 |          |
|------------|---------------------|----------|
|            | 2022                | 2021     |
| Management | 1                   | 2        |
| Staff      | 3                   | 1        |
|            | <b>4</b>            | <b>3</b> |

**Notes (continued)****The aggregate payroll costs of these persons were as follows:**

|                          | 2022           | 2021           |
|--------------------------|----------------|----------------|
|                          | £              | £              |
| Wages and salaries       | 659,929        | 344,258        |
| Share-based payments (1) | 47,699         | 261,158        |
| Social security costs    | 118,949        | 122,097        |
| Other benefits           | 39,763         | 26,995         |
|                          | <b>866,340</b> | <b>754,508</b> |

(1) Amounts include share-based payment expense recognised on RSUs and ESPP grants for certain employees & directors of the Company. Please refer to Note 1, *General information and accounting policies* for further details and accounting for equity awards.

**7. Remuneration of directors**

|                         | 2022    | 2021    |
|-------------------------|---------|---------|
|                         | £       | £       |
| Directors' remuneration | 417,055 | 776,357 |

During the year there were £0 in retirement benefits accruing to directors (2021: £0) in respect of pension schemes.

**8. Income Taxes****Recognised in the profit and loss account**

|                                                             | 2022           | 2022                    | 2021           | 2021                    |
|-------------------------------------------------------------|----------------|-------------------------|----------------|-------------------------|
|                                                             | £              | £                       | £              | £                       |
| <b>Current tax</b>                                          |                |                         |                |                         |
| UK corporation tax charge for the year                      | 3,896,000      |                         | 1,488,379      |                         |
| Adjustments in respect of prior periods                     | <u>6,434</u>   |                         | <u>(7,160)</u> |                         |
| Total current tax charge                                    |                | <b>3,902,434</b>        |                | <b>1,481,219</b>        |
| <b>Deferred tax</b>                                         |                |                         |                |                         |
| Origination and reversal of temporary differences           | 41,173         |                         | (5,441)        |                         |
| Adjustments in respect of prior periods                     | <u>(6,109)</u> |                         | <u>(3,548)</u> |                         |
| Total deferred tax expense/(credit)                         |                | <b>35,064</b>           |                | <b>(8,989)</b>          |
| Total tax expense/(credit) on profit on ordinary activities |                | <b><u>3,937,498</u></b> |                | <b><u>1,472,230</u></b> |

**Notes (continued)****Factors affecting the tax charge**

|                                          | 2022             | 2021             |
|------------------------------------------|------------------|------------------|
|                                          | £                | £                |
| Profit on ordinary activities before tax | 20,585,828       | 9,469,535        |
| Current tax at 19% (2021: 19%)           | 3,911,307        | 1,799,212        |
| <b>Effects of:</b>                       |                  |                  |
| Non-deductible items                     | 13,301           | 9,823            |
| Effect of UK group relief                | (4,751)          | (338,757)        |
| Under/(over) provided in prior years     | 6,435            | (7,160)          |
| Change in tax rate on deferred balances  | 332              | (5,504)          |
| Share-based payments adjustment          | 10,874           | 14,616           |
| <b>Total tax expense/(benefit)</b>       | <b>3,937,498</b> | <b>1,472,230</b> |

**9. Cash and other similar deposits**

|                   | 2022               | 2021              |
|-------------------|--------------------|-------------------|
|                   | £                  | £                 |
| Cash at bank      | 92,437,320         | 17,085,819        |
| Customer funds*   | 13,685,138         | 7,777,848         |
| Restricted cash** | 60,069,999         | 6,000,000         |
|                   | <b>166,192,457</b> | <b>30,863,667</b> |

\* Included in customer funds is an amount of £10,640,249 (2021: £6,236,979) relating to safeguarded funds held in a designated client funds bank account. Under the Payment Services Regulations 2017, the Company is required to safeguard all relevant funds for unpaid customer transactions in such an account.

\*\* Restricted cash refers to funds held in a Bank of England collateral account.

**10. Deferred tax assets**

Deferred tax assets are attributable to the following:

**Movement in deferred tax assets:**

|                                     | Share based payments | Total        |
|-------------------------------------|----------------------|--------------|
|                                     | £                    | £            |
| At 1 January 2022                   | 75,195               | 75,195       |
| (Charge)/credit to Income Statement | (35,064)             | (35,064)     |
| (Charge)/credit to Equity           | (31,784)             | (31,784)     |
| At 31 December 2022                 | <b>8,347</b>         | <b>8,347</b> |

At 31 December 2022 the Company did not have any tax losses to carry forward (2021: £0).

**Factors affecting future tax charges**

In June 2021, the UK Finance Act of 2021 received royal assent. Under the new law, the UK tax rate increased from 19% to 25% effective 1 April 2023. Deferred tax on temporary differences and tax losses as at the balance

**Notes (continued)**

sheet date is calculated at the substantively enacted rates at which the temporary differences and capital allowances are expected to reverse.

**11. Debtors**

|                                    | 2022              | 2021              |
|------------------------------------|-------------------|-------------------|
|                                    | £                 | £                 |
| Settlement receivables             | 29,473,038        | 12,375,351        |
| Amounts owed by group undertakings | 2,865,204         | 1,498,330         |
| Income tax receivable              | 909,469           | 341,334           |
| Other debtors                      | 208,815           | 123,705           |
|                                    | <b>33,456,526</b> | <b>14,338,720</b> |

As of the year ended 31 December 2022, the Company had amounts owed by group undertakings of £357,842 from Block, Inc. (2021: £5,398), £976,157 from Squareup (UK) Ltd. (2021: £1,106,634), £1,524,371 from Squareup International Ltd. (2021: £386,120), and £6,834 from other group entities (2021: £178).

**12. Loans**

|                | 2022       | 2021 |
|----------------|------------|------|
|                | £          | £    |
| Carrying value | 22,621,173 | —    |
| Fair value     | 22,656,995 | —    |

**13. Creditors**

|                                                | 2022              | 2021              |
|------------------------------------------------|-------------------|-------------------|
|                                                | £                 | £                 |
| Trade creditors                                | 100,737           | 63,492            |
| Customer payable                               | 34,191,460        | 15,414,063        |
| Amounts owed to group undertakings             | 6,318,902         | 5,408,126         |
| Accruals                                       | 1,073,460         | 668,484           |
| Taxation and social security                   | 403,540           | 192,961           |
| Other creditors                                | 42,005            | 3,688             |
| Creditors: amounts falling due within one year | <b>42,130,104</b> | <b>21,750,814</b> |
| Provisions for liabilities and charges         | —                 | 12,384            |
| Total                                          | <b>42,130,104</b> | <b>21,763,198</b> |

As of the year ended 31 December 2021 the Company had amounts owed to group undertakings that include £2,209 to Block, Inc. (2021: £—), £985,100 to Squareup (UK) Ltd. (2021: £966,836), £5,327,468 to Squareup International Ltd. (2021: £4,441,290) and £4,125 to Squareup International Services Ltd (2021:—).

**Notes (continued)****14. Called up share capital and capital contributions**

|                                           | 2022        | 2021      |
|-------------------------------------------|-------------|-----------|
|                                           | £           | £         |
| <i>Allotted, called up and fully paid</i> |             |           |
| Ordinary shares of £1 each                | 9,921,001   | 9,907,001 |
| Share Premium                             | 139,986,000 | —         |
| Capital contribution reserve              | 1,156,345   | 1,134,838 |

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.

The Company has a capital contribution reserve of £1,156,345 (2021: £1,134,838) which represents the compensation expense related to shares of Block, Inc. granted to certain employees as part of their participation in the RSU and Employee Stock Purchase Plan (ESPP) program, administered by Block, Inc.

As Company holds an e-money license issued by the Financial Conduct Authority, there are regulatory capital requirements which management monitor on an ongoing basis. Sufficient regulatory capital was held by the company throughout the reporting period.

**15. Ultimate parent company**

The Company is a wholly owned subsidiary of Squareup International Limited, which is itself an indirectly wholly owned subsidiary of Block, 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 Block, 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 <https://investors.block.xyz/overview/default.aspx>.

**16. Subsequent Events**

The Company has performed an evaluation of subsequent events through the date the financial statements were issued. There were no material subsequent events that occurred between the Balance Sheet date and the date of signing of the financial statements, affecting the Company, which require adjustment to or disclosure in the financial statements.