PAYPER ANNUAL REPORT

2018

PAYPER

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REPORT OF THE EXECUTIVE BOARD

PAYPER

“Offer every company the opportunity to invest in its own people”

Edwin Schaap, managing director

“I find that the most interesting aspect to entrepreneurship is the people for whom, and with whom, I work. I am happy with the people in our network and in our team. They work here with all their heart and soul. This is in our blood. The mood is good. Several things stand out when I look back at 2018. The most important finding: Payper is ready for new steps, and we've worked hard for that.”

“The labour market doesn't stay the same for two years. We adapt each time, that is the nature of what we do. But the margins have been declining for years, so this requires realignment. For now, Payper represents the payroll, although we have much more to offer. I wish for Payper to offer our clients a complete HR-package in the future. The full life cycle of employees in a company requires continuous attention.”

"There is much knowledge and information available at HR-departments. These must be unlocked much more broadly. We believe that sharing what makes people tick is essential for the success of a company.

Proper HR-management is more than educating people and having a performance review now and then. If we replace the word ‘employees’ with the word ‘people’, we get to the heart of the issue.”

“We believe that sharing what makes people tick is essential for the success of a company.”

“Our goal is to offer each company the opportunity to really invest in their own people. Many of those solutions are in software. This is why we have set up our own IT department. Our own platform PayperOne, built on the software of Salesforce, is expanded upon further and further using tools that our clients need for this. They won't have to ask anything from us in the future, as we're already offering it.”

“Explainable decrease in turnover and an increase of the company results”

Eric Snoeren, finance director

“2018 was both positive and negative for Payper. Our turnover amounted to 76.8 million Euro last year, which is a decrease of 5 million. Expressed in percentages, this is a difference of 6.1 compared to 2017. This had two reasons, firstly we disposed of our German (unprofitable) activities at the end of 2017. That negatively influenced our turnover of 3 million Euro. The second cause for the decrease was the scarcity in the labour market, especially for clients in the temporary employment industry. Due to that, we were able to provide fewer people with payroll contracts. The turnover decrease of 6.1% is the first in years, before that it was always an upward trend. We were an organisation with a turnover of 15 million in 2012. At the moment, our turnover is 80 million. We said our goodbyes to a number of clients in 2018 who, in our opinion, were less suited to Payper and our own developments. We increasingly focus on standardisation and digitisation. This is necessary for our growth. So, we consider which clients are able to accompany that. That is for the benefit of every party. Payper stands for good employment practices. Due to the proper serving of our clients, and the improvement of our services in a competitive market, the development of the margin is put under pressure. The shortage in the labour market was unforeseen, and the effects were difficult to gauge. The effects occurred primarily in the first half of the year, after that it got better. For 2019 it holds true that we started off well. Our turnover grew with 8 to 10 percent in the first quarter.”

“The gross margin decreased from 6.3 to 6.1% in 2018. This can also be attributed to two causes. On one hand, the competition has grown larger. On the other hand, we received clients with a larger volume. This means offering different rates, with accompanying margins. Incidentally, we were able to accommodate the decrease of the margin by decreasing our operational costs with 0.4%. We deliver the same service with less manpower. The operational costs in 2017 amounted to 5.5% of the turnover. In 2018, they amounted to 4.9%. Despite the decrease in turnover and the pressure on the margin, the EBITDA (earnings before interest taxes, depreciation & amortisation) and the company result grew. The EBITDA grew with 65 percent, to 1.2 million. The company result grew with 28%, to 759 thousand.”

“A positive development in 2018 is that we came into view of larger parties. We closed a contract for three years with Burger King. We're proud of that. This would not have succeeded without the standardisation and digitisation. Currently, this concerns around 250 employees. Taking the ambition for growth that Burger King in the Netherlands has into account, we expect to see a significant increase in turnover in the following years. Moreover, Burger King is not our largest client. There are two temporary employment agencies who are larger. Alongside this, more and more industrial companies involve Payper. They know that we scale and pay people in conformity with the laws and regulations. We give that guarantee.”

“The development of PayperOne reached the final phase in 2018. On the 1st of January 2019, the invoicing and pay was added to that. With that, all activities are included in PayperOne, our own HR-platform. In so doing, we are ready for the next advancement. We can now offer what the market demands. We have put our acquisition plans for the acquiring of payroll companies aside. We do not want to specialise in payroll but offer a broader service. This translates to the provision of more apps and software for clients.”

Niall Brady, member of advisory board

'It's been a pleasure over the last year for me to spend some time with Payper as a member of the advisory board. Edwin and Eric have been very open and progressive in seeking input from around the industry, from members who are bringing a range of different experience and expertise so that they can drive further innovation. The Payper team have a strong track record of success over many years and they have an international mindset.'

'2018 was another successful year for Payper adding some interesting major customers along the way. For 2019, Payper is continuing to drive innovation and investing in technology as an enabler for Payper's customers. The shift from the traditional core business to Payper as a technology company is very exciting and is one of the reasons where I feel privileged to be part of a group which is advising on this strategy.'

"I am confident that the future for Payper is bright."

'With Payper's industry knowledge combined with a world class technology strategy, I am confident that the future for Payper is bright.'

NOBODY OFFSIDE WITH TEAMPLAY@NAC

As a sponsor of NAC, Payper likes to take things one step further. Together with Teamplay@NAC, the project 'Nobody Offside' was started. With this, Payper and NAC want to help young people who find themselves distanced from the labour market get 'back in the game'. During the project - a process of three months - participants support the NAC facilities department by performing cleaning and maintenance activities for three days a week. Candidates are given the opportunity to build up routine and work experience in which they are intensively coached by professionals. The objective is for the participants to ultimately participate in society again in a manner not dependent on benefits.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility remains an integral part of Payper's business operations. Payper consciously chooses digitise its (client) processes and, correspondingly, reduce paper use. Both employers (clients) and employees will increasingly be using the processes offered digitally in a secure environment. The PayperOne platform also fits in perfectly with this development.

BITS/CODERDOJO FOUNDATION

The BITS foundation originated from the Coderdojo foundation in Breda. The aim of the foundation is to guide and stimulate children (7-17) to get started with programming. By giving the children themselves control over the learning process, their curiosity is stimulated and they learn both together and from each other. In this way, they are shaped to become the effective programmers who will be needed in the future, both on a technical and social level.

DIVERSITY OF INFORMATION MANAGEMENT

Payper has two board members, a general director and a financial director. Both positions are held by men. A balanced gender distribution between men and women will only be discussed if Payper continues to grow and would develop a more extensive board.

From left to right: Niall Brady, Ben Bruijn, Edwin Schaap, Siemon van den Berg, Onno Nachtegaal, Eric Snoeren

ADVISORY BOARD

Payper is part of the top of the industry. In the context of this, Payper has set up an Advisory Board to ensure the organisation progresses further. The Advisory Board consists of:

- Ben Bruijn
- Peter Hulsbos
- Siemon van den Berg
- Onno Nachtegaal
- Niall Brady

Ben Bruijn is a specialist in the field of corporate acquisitions at ABN AMRO. He has been working at ABN AMRO since 1987.

Onno Nachtegaal is an experienced professional in the field of Credit Information, experienced in the setting up and developing of large data collections (BIG data) and the processes surrounding that. He worked for Graydon Netherlands for more than 12 years.

Peter Hulsbos was managing partner of Tempo-Team Group from 2000 to 2009, and subsequently with seconder Yacht until October 2014.

Siemon van den Berg is an ICT entrepreneur and CEO of The Datacenter Group. He has been an ICT entrepreneur for more than 15 years and has extensive knowledge and experience in software development, cloud computing and IT infrastructure.

Niall Brady is Senior AVP, SMB EMEA at Salesforce. For over 16 years, he has been involved with innovation and technology on a daily basis. In addition, due to his experience in the software industry, he provides strategic insight and advice on how to market Payper and PayperOne in a distinctive way.

“Happy employees are more productive”

**Danny van Ardenne,
commercial manager**

“I’ve started working at Payper in December of 2018, so reflecting on the previous year is not useful to me. Looking forward, on the other hand, is. I have two roles in this company that are closely connected. I develop the new applications, and I take care of the transformation from payroll- to software company.”

“My driving force is simple: Make people happy. ‘Happiness’ can be defined as the balance between your expectations in life versus the reality. Work has to feel like home, that is also the philosophy of director Edwin Schaap. It is the goal of everybody here. Happy employees, people that are happy, are more productive. It’s as simple as that. To achieve that, I develop software. An app that provides happier employees. That app will make it possible for Payper to transform from a payroll company to a much more wide-ranged provider of HR-services. There are parties that offer something similar, or are currently developing that, but until now it has been missing an important factor: the component of happiness, of feeling at home on the work floor. To us, that is essential. The application we’re developing now gauges the engagement of the employee. He or she then has the opportunity to share what is important in his or her work life. Using that feedback, the employer can then get to work. The changes that then take place release so much energy that it can greatly accelerate a company. Our application for employee management, Trindle AI, will be ready in July of 2019. We will bring the app to a convention in Paris in October, since the objective is to offer it to the international market.”

“My driving force is simple: Make people happy.”

“We have started from scratch, did our research and now create what is needed. With this app, we give managers all required tools to know what goes on within their teams. Is that a grand slam for Payper? That depends on how you look at it. Our vision remains virtually unchanged. We wish to make the work our clients both easier and more pleasant. We will have more services that support that goal in the future. Committed to making their employees happier. And, consecutively, more productive. Thereby enabling them to generate a higher turnover.

“Noticeable improvement in the provision of services to our clients”

Stef Maris, operational manager

“I direct the client teams at Payper, the Customer Implementation Team and Credit Management. The teams are the point of contact for all inquiries. I look back at 2018 as a very diverse year with great milestones. Especially including PayperOne. The first two quarters were positive, everything internal was in order. The third quarter was dedicated to transition, including a new wage system among other things. This was a difficult task. Everything that was related to payment of wages had to be converted for thousands of employees. Now we have the last after-effects behind us and can truly stay that it's accomplished. It had a major impact on Payper and on the clients. Not everything went smoothly. We were faced with teething troubles. But it was worth it; it led to a noticeable improvement in the provision of services to our clients.”

“We are by no means done innovating yet, but we have achieved quite a lot. Using PayperOne, it's more manageable for clients and they can do more themselves. Naturally, with support from us. They can now register new employees and record items themselves. This saves time. Alongside this, a complete CAO-database [collective agreement database] is included in PayperOne. Everything is automated. Our clients wish to stand for proper employment practices. This is expressed by working together with us. With PayperOne, they are now optimally facilitated. This saves a large amount of figuring-out and makes the HR-component in their business operations more transparent.

“The degree of openness of Payper as an organisation is something that continues to amaze me on a near-daily basis.

“What I find beautiful about this company is our constant striving towards improvement. Payper is very innovative, internally but also for the client. The degree is, to my knowledge, one-of-a-kind for this sector. For example, we have our own development team for IT. Not many people have that. Our outlook is that we wish to facilitate proper employment practices, that we contribute to the work of our clients. We offer many extra services, like the advice of an absentee coordinator and the internal handling of legal questions. Payper is so much more than just the furnishing of pay checks. In that, we have made huge strides.”

“The degree of openness of Payper as an organisation is something that continues to amaze me on a near-daily basis. We can hit a brick wall like no tomorrow, but we always learn from it. We ask feedback from our clients and experts in many areas, and we are serious in acting on that input.”

“We are a close-knit team”

Bram van der Velden, employee of the year 2018

“I have been working at Payper since the first quarter of 2017. After finishing my HBO [higher vocational education] at Avans, here in Breda, I first travelled. After that, I registered with temporary employment agencies, which led me to Payper. As temporary employee, to search for documents for a project. This apparently went well as, when that was finished, I received the request to stay. That happened in the summer of 2017. Did I enjoy that? Yes, this is a special line of work, and I learn new things every day. When I was ‘fixed’ here, we just transitioned to PayperOne. I had to answer the primary questions of clients, which was initially not an easy task. However, there was not a day that I dreaded work. The atmosphere here is great. We had a busy period surrounding the update of our system. But the atmosphere remains joyful and we interact with each other well.”

“About forty people currently work at Payper. We provide our services to two kinds of clients; intermediaries and direct customers. I maintain the contact with the direct customers. If I cannot solve a client's question myself, I gather the information at the specific colleague, which brings me in contact with everybody within Payper. We are a close-knit team; everyone knows everyone well. If you have a question, you can always go to a colleague.”

“2018 was my first full year at Payper. I realise that I could remain here for a longer period of time. I have learned a great deal in these two years, about client contact among other things. I hear that clients often ask for me. Apparently, they are satisfied with the feedback I provide.”

“I work with a smile, even if things go wrong.“

“What made me ‘employee of the year’? I've heard that it is my ability to remain happy and calm during a busy period. I work with a smile, even if things go wrong. I can handle pressure and am calm by nature. Colleagues know that they can always approach me with questions. Apparently, I emanate that I feel good here.“

“The nomination of ‘employee of the year’ was unexpected. Appreciation is, of course, always nice. I am proud of it; it doesn't happen by chance. Those who work at Payper are special people, you have to be able to fit in and to go along. The attitude here is to ‘enthuse clients and keep them that way’. Working overtime? We do that together, too.”

Key Figures

PAYPER

2018	2017
Revenue	Revenue
€ 77 M	€ 82 M
Margin	Margin
6.1 %	6.4 %
Operational Expenses	Operational Expenses
4.9 %	5.5 %
EBITDA	EBITDA
1.6 %	0.9 %


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RISKS

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I. GENERAL RISKS

Economic recession, inflation & diminished consumer confidence
A recession generally leads to collective dismissals and substantial cuts in the number of jobs. Flex workers are usually the first to be hit because they are the easiest target for companies looking to cut down on staff. Because Payper's activities deal with the so-called Flexible Shell (Dutch: *Flexibele Schil*) - a 'layer' of flexible non-core workers -, a recession could affect the growth objectives unfavourably. Inflation and diminished consumer confidence could also have a negative impact on Payper's turnover.

II. STRATEGIC RISKS

Size of the employers and workers database (volume)
To ensure continuity for employers and workers it is essential that Payper has a sizeable database of employers and workers. That makes it easier to place and reposition workers within client groups in the various branches of industry, thus ensuring optimum matching between supply and demand. At present Payper has 937 clients and 4,380 workers. To achieve its growth objectives the number of clients must be doubled and the number of workers quadrupled at the very least. Should Payper fail to realize its objectives regarding the volume of the employers and workers database, the turnover could be negatively impacted.

Financing
In 2018 ABN Amro Commercial Finance N.V. informed Payper that it would increase the current credit facility of €15 million to €2.5 million to €17.5 million if that is required for funding the organization's increase in turnover and the accompanying receivables balance.

Earlier, in 2017, based on Payper's financial situation, ABN Amro Commercial Finance N.V. had already decided to withdraw the guarantees previously required from Payper's shareholders.

On 1 November 2016 Payper issued 2,339 subordinated bonds with a par value of €1,000. The term of this subordinated debt is 6 years. No redemptions are made during the term.

During the second half of 2015 Payper borrowed €1 million from the MKB Impulsfonds (SME private debt fund) in the form of a subordinated loan. The balance sheet total increased by 2.3% to €18.7 million. The solvency requirement set by ABN AMRO Commercial Finance N.V. (ACF) (Shareholders' equity + subordinated loans - intangible fixed - deferred corporation tax) / (balance sheet total – intangible fixed assets – deferred corporation tax) was set at 12.5%; this is 14.2%.

The requirements set by the MKB Impulsfonds were that the EBITDA should be 1.8% in 2018, the solvency (Shareholders' equity + subordinated loans) / balance sheet total should be at least 15%, and the debt / EBITDA ratio should not be higher than 4.0. Payper meets the solvency requirement (23.8%), however the debt / EBITDA ratio (5.5) and the EBITDA ratio (1.6%) do not comply with the set ratios. Payper was granted a waiver for this from the MKB Impulsfonds. That means that Payper meets the requirements set by the financers. In the event that Payper is unable to comply with any one of the above-mentioned ratios, and is not granted a waiver for that, the MKB Impulsfonds will be entitled to demand immediate repayment in full of the outstanding amount of the subordinated loan at that time, which may have an unfavourable effect on the turnover trend at Payper.

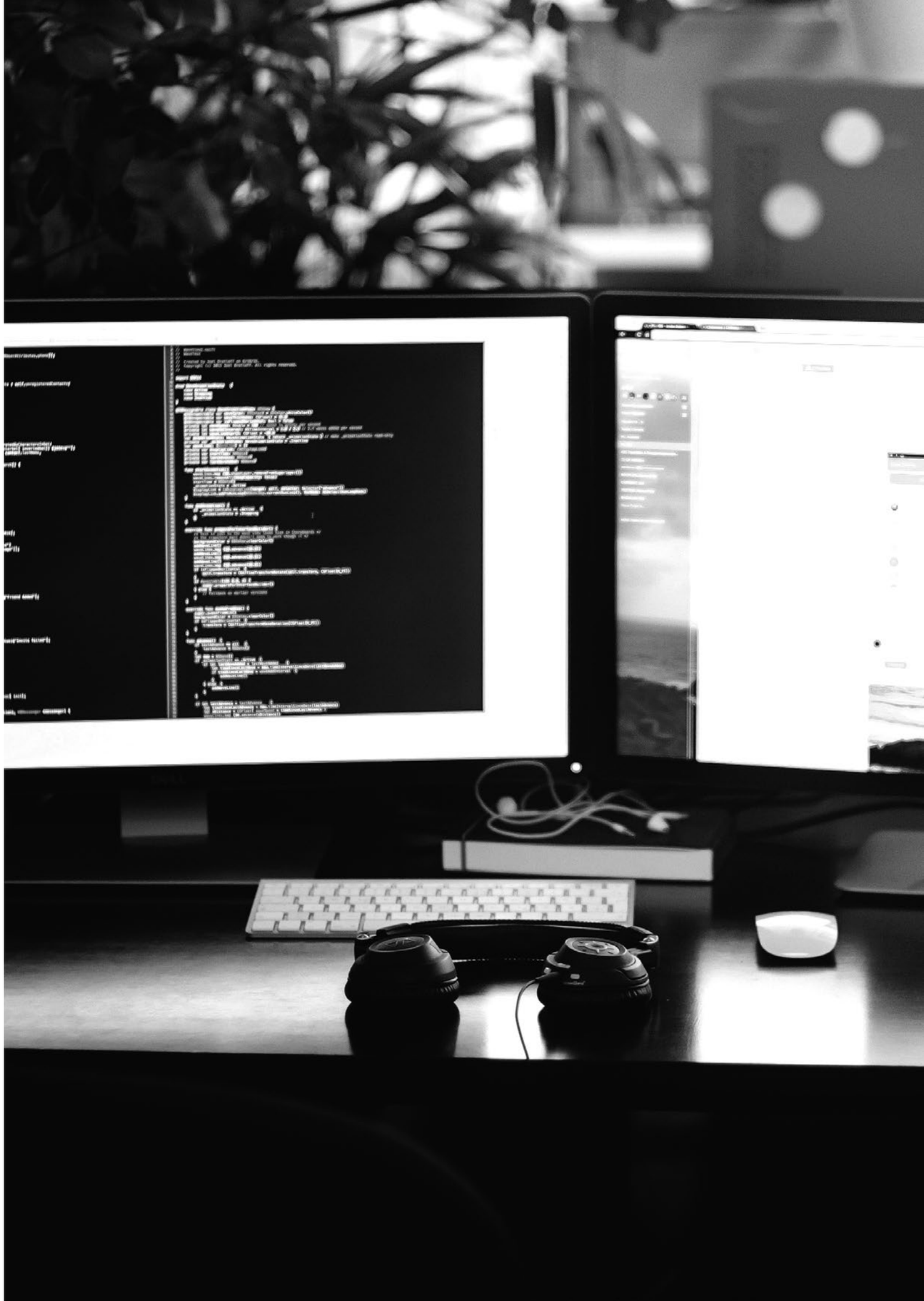
Acquisitions

In 2018 Payper decided that the future growth of the company would be realized by expanding the provision of services in HR automation. This decision has led to a lower priority being put on the acquisition of external payroll organizations.

III. OPERATIONAL RISKS

Client dependency

Among Payper's clients are two large temporary employment agencies. Together, these two agencies represent about 20% of group turnover. In the event that the turnover generated by both agencies should be terminated, the negative impact on the operational result would be approximately €400,000. In October 2015 Payper entered into a five-year exclusive partnership agreement with one of the two agencies. As a consequence of that agreement the above-mentioned dependence was considerably reduced.



Dubious debtors risk
Once Payper has taken over the role of legal employer from its clients, the risk of bad debts becomes substantial. Payper has become solely responsible for the entire personnel administration and with that for the payment of salaries and other benefits to the employees. The related risks may put pressure on Payper's growth objectives. To limit the dubious debtors risk, Payper only accepts clients that can be insured.

Absenteeism risk
Taking over the legal employership also means that the absenteeism risk is transferred to Payper. Sickness absence in 2018 amounted to 1.2% of the total gross wages (2017: 1.2%). An increase in sickness absence could have unfavourable consequences for the profit margin and with that on the profitability of Payper. Payper employs an absenteeism manager to limit this risk.

Dismissal risk
Dismissal risk concerns the costs of continued payment of personnel as a result of an (as yet) ongoing employment contract whereas the client has indicated that the services of the worker in question are no longer wanted. The duration of employment is an important factor here. With the introduction of the Wet Werk en Zekerheid (Dutch Dismissal Law) in 2015, every worker who has been employed for 2 years or longer is entitled to transition compensation (as from 1 July 2015).

It is quite possible that an increasing number of clients will choose to transfer the dismissal risk to Payper. Despite the fact that clients pay a surcharge for this, dismissal risk in the event of significant rounds of dismissals could have a negative impact on Payper's gross profit margin.

Information Technology/automation risk
Good automation systems and the use of advanced technological solutions are and will continue to be crucial for Payper's success. Payper invested substantially in the automation of its core processes as of the year 2016. The total investment in 2018 amounted to €515,000. In 2019 the company plans to invest another €250,000 in expanding the functionality of Payper One, which will give Payper an even bigger lead on the competition.

IV. FINANCIAL RISKS

Liquidity risk
Because of Payper's growth in combination with the still relatively low EBITDA (1.6% in 2018), the organization's liquidity position has become an essential aspect. To enable Payper to continue to expand in the coming years, the company issued a subordinated corporate bond in 2016 to the amount of €2,339,000 on the NPEX trading platform. With this corporate bond the solvency of the organization has also improved considerably, which is good for Payper's continuity. In 2018 ABN Amro Commercial Finance N.V. increased the credit facility by €2,5 million to €17,5 million.

V. RISKS IN CONNECTION WITH COMPLIANCE

Non-compliance
Payper must comply with the specific rules and regulations governing employees in the various sectors in which they are employed. Failure to comply with such rules and regulations may lead to sanctions that could negatively affect Payper's turnover.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FINANCIAL STATEMENTS 2018

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PAYPER

ON THE NEXT PAGES YOU WILL FIND THE RESULTS OF PAYPER B.V. FOR THE 2018 FINANCIAL YEAR

This financial report consists of the following parts:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018
- Consolidated statement of cash flows
- Consolidated statement of changes in equity
- Notes to the consolidated financial statements
- Notes to the consolidated statement of financial position as at 31 December 2018
- Notes to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018
- Company balance sheet as at 31 December 2018
- Company statement of profit or loss and other comprehensive income for the year ended 31 December 2018
- Notes to the company financial statements

Other information

- Articles of association regarding profit distribution
- Independent auditors report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31-12-2018 €	31-12-2017 €
Non-current assets			
Intangible assets	1	**2,442,373**	**2,099,260**
Property, Plant & Equipment	2	**776,736**	**174,100**
Financial non-current assets	3	**720,310**	**600,773**
Current assets			
Accounts receivables			
Trade receivables		12,913,254	13,403,079
Shareholder(s) receivables		394,207	81,677
Other receivables and accrued income	4	1,374,412	1,273,138
		14,421,873	**14,757,894**
Cash and cash equivalents	5	**140,608**	**702,419**
TOTAL ASSETS		**18,761,900**	**18,334,446**
Equity			
Share capital	6	1,250,000	1,250,000
Retained earnings	7	682,087	689,563
Profit for the year	8	63,358	(7,476)
		1,995,445	**1,932,087**
Borrowings and other non-current liabilities	9	**2,468,123**	**2,445,404**
Current liabilities			
Accounts payables		866,333	1,147,086
Debt to credit institutions	10	6,458,030	4,804,045
Tax and social security liabilities	11	1,794,639	2,910,216
Other liabilities and accrued expenses	12	5,179,330	5,095,608
		14,298,332	**13,956,955**
TOTAL EQUITY AND LIABILITIES		**18,761,900**	**18,334,446**

CONSOLIDATED STATEMENT OF PROFIT OF LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31-12-2018 €	31-12-2017 €
Revenue	13	76,780,171	81,842,703
Cost of sales		72,065,787	76,641,246
Gross profit		**4,714,384**	**5,201,457**
Sales expenses		204,546	321,655
Administrative expenses		3,579,789	4,213,340
Total operating expenses		**3,784,335**	**4,534,995**
EBITA		**930,049**	**666,462**
Amortization expenses	14	171,442	73,283
EBIT		**758,607**	**593,179**
Finance income	15	44,517	60,628
Finance expenses	16	(718,770)	(684,112)
Profit before tax		**84,354**	**(30,305)**
Income tax	17	(20,996)	(11,846)
Profit from investments in associates		-	34,675
After tax profit attributable to shareholder(s)		**63,358**	**(7,476)**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 €	2017 €
After tax profit	63,358	(7,476)
Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income	63,358	(7,476)
Total comprehensive income attributable to shareholders	63,358	(7,476)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDEND 31 DECEMBER 2018

	31-12-2018		31-12-2017	
	€	€	€	€
Cash flow from operating acitvities				
EBIT		758,607		593,179
Adjustments for:				
- Depreciation of Property, Plant and Equipment	66,347		65,899	
- Amortization of intangible assets	171,442		73,283	
- Increase/(Decrease) in provisions	-		(17,003)	
- Movements in working capital				
- Decrease/(Increase) in accounts receivable	76,021		(638,259)	
- Increase/(Decrease) in accounts payable	(1,312,608)		(245,635)	
		(998,798)		(761,715)
		(240,191)		(168,536)
Net of interest income and expenses	(674,253)		(593,774)	
Income taxed paid	(20,996)		4,144	
		(695,249)		(589,630)
Cash flow from operating activities		(935,440)		(758,166)
Cash flow from investing activities				
Purchase of property, plant and equipment	(212,479)		(4,868)	
Proceeds on disposal of property, plant and equipment	28,286		30,787	
Investments in intangible assets	(514,555)		(452,168)	
Investments in financial non-current assets	(603,840)		-	
Repayments of financial non-current assets	494,000		453,874	
Cash flow from investing activities		(808,588)		(27,625)
Cash flow from financing activities				
Receipts from non-current liabilities	22,719		-	
Principal paid on non-current liabilities	(494,487)		(250,000)	
Increase/(Decrease) current liabilities to credit institutions	1,653,985		1,199,840	
Cash flow from financing activities		1,182,217		949,840
Increase/(Decrease) in cash and cash equivalents		**(561,811)**		**164,049**
The net movement in cash and cash equivalents is as follows:				
Cash and bank balances at the beginning of the year		702,419		538,370
Cash and bank balances at the end of the year		140,608		702,419
Increase/(Decrease) in cash and cash equivalents		**(561,811)**		**164,049**

* Cash and cash equivalents consits of cash and bank balances

CONSOLIDATED STATEMENT OF EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Prior to profit distribution in €	Share capital	Retained earnings	Profit for the year	Total equity
Balance at beginning of the year	1,250,000	689,563	(7,476)	1,932,087
Total comprehensive income for the year	-	-	63,358	63,358
Profit distribution previous year	-	(7,476)	7,476	-
Total (un)realized profit	-	(7,476)	63,358	63,358
Balance at end of the year	1,250,000	682,087	63,358	1,995,445

CONSOLIDATED STATEMENT OF EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Prior to profit distribution in €	Share capital	Retained earnings	Profit for the year	Total equity
Balance at beginning of the year	1,250,000	472,710	216,853	1,939,563
Total comprehensive income for the year	-	-	(7,476)	(7,476)
Profit distribution previous year	-	216,853	(216,853)	-
Total (un)realized profit	-	216,853	(224,329)	(7,476)
Balance at end of the year	1,250,000	689,563	(7,476)	1,932,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

The company and her subsidiaries

The activities of Payper B.V. (Number in Chamber of Commerce 59296534), incorporated and registred in Breda, Lage Mosten 11, and her subsidiaries primairly consist of payroll, backoffice services and HR management.

These consolidated financial statements are prepared by the Directors and signed on (insert date). The 2018 financial statements will be presented to the general shareholder meeting.

Adoption of new and revised standards

Impact of initial application of new standards

IFRS 9 – Financial instruments

IFRS 9, which became effective for an annual period starting on or after 1 January 2018, introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets, and;
- General hedge accounting

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

The application of IFRS 9 did not have a significant impact on the valuation and classification of assets and liabilities reported in the financial statements.

IFRS 15 – Revenue from contracts with customers
IFRS 15, which became effective for an annual period starting on or after 1 January 2018, establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred. Specifically, it introduces a 5-step approach to revenue recognition:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contracts
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 – Leases
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations.

IFRS 16 will be effective for an annual period starting on or after 1 January 2019. The date of initial application for IFRS 16 for the Group is 1 january 2018. The impact of the application is noted below:

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

– The right to obtain substantially all of the economic benefits from the use of an identified asset; and
– The right to direct the use of that asset

On initial application of IFRS 16, for all leases (except short-term and low-value assets leases, as noted below), the Group has:

a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The initial application had a significant impact on the financial statements. The Group has chosen to apply the cumulative effect on the date of initial application in accordance with IFRS 15:C5(b). The financial statements will not show restated comparative information.

Using the practical expedient in accordance with IFRS 16, all leases which were previously recognized as operating leases and end within 12 months of the date of initial application shall be accounted for as short-term leases as described above. This practical expedient was applied to the office rental contract and two car lease contracts. This resulted in operating lease expense of €55,719.

On the date of initial application, the Group has recognized a right-of-use asset and corresponding lease liability of €694,558. At the reporting date, the Group has recognized deprecation on the right-of-use asset of €209,766, principal repayment on the lease liability of €200,070, and interest expense of €13,891.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by €200,070 and to increase net cash used in financing activities by the same amount.


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Amendment to IFRS Standards and Interpretations

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any significant impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments) Classification and Measurment of Share-based Payment Transactions

The Group has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
(i) the original liability is derecognised;
(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

IAS 40 (amendments) Transfers of investment property

The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

Annual improvements to the IFRS Standards 2014 – 2016 Cycle

The Group has adopted annual improvements of the IFRS Standards 2014 – 2016 Cycle for the first time in the current year.

Amendments to IAS 28 Investments:

The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised standards in issue but not yet effective

IFRS 17 – Insurance contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The annual improvements include amendements to four Standards.

- *IAS 12 Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

- *IAS 23 Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- *IFRS 3 Business Combinations*

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

- *IFRS 11 Joint Arrangements*

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

Amendments to IAS 19 - Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 - Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:
• determine whether uncertain tax positions are assessed separately or as a group; and
• assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

– If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

– If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Basis of accounting
The consolidated financial statements and notes are prepared in accordance with International Financial Reporting Standards (IFRS Standards) as adopted by the European Union up to 31 December 2018.

The financial statements have been prepared on the historical cost basis to the extent which the IFRS do not prescribe a different method for valuation and profit determination.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value-in-use in IAS 36 Impairment of Assets.

The financial year of Payper B.V. starts on 1 January and ends on 31 December of the corresponding year.

The reporting currency of the financial statements is EURO. The functional currency of Payper B.V. is EURO as well.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The consolidated financial statements comprise the accounts of the Company and the following entities:

Consolidated entities:	Percentage ownership:	Statutory seated
• PAYPER SUPPORT B.V.	100%	Breda
• Co-Flex TPF B.V. and her investments in:	100%	Breda
Co-Contracting B.V.	100%	Breda
Co-Flex GmbH	100%	Kleve, Germany
Co-Contracting GmbH	100%	Kleve, Germany
• Payper Payroll B.V. and her investments in:	100%	Breda
Payper Intermediairs B.V.	100%	Breda
Payper Retail B.V.	100%	Breda
Payper Logistiek B.V.	100%	Breda
Payper Beveiligingen B.V.	100%	Breda
Payper Zorg B.V.	100%	Breda
Payper Horeca B.V.	100%	Breda
Payper Industrie B.V.	100%	Breda
Payper Zakelijke Dienstverlening B.V.	100%	Breda
Payper Employability B.V.	100%	Breda
• Payper Labs B.V.	100%	Breda

Hereafter, Payper B.V. and its subsidiaries will be reffered to as Payper or Group, unless stated otherwise.

Payper B.V. is the parent company of the Group.

Business combinations
Acquisitions of businesses are accounted for using the acquisition method per the acquisition date. The acquisition date is the date on which control is transferred to Payper B.V.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss.

Acquisition-related costs, not including costs incurred in issuing debt- and equity instruments, are recognised in profit or loss as incurred.

The transferred consideration does not include an amount for the settlement of existing relations. Such an amount is included in the statement of profit or loss.

Related parties
Parties are related if one has control, or joint control, or significant influence over the other. Significant influence is relevant when it relates to financial or operating decisions. Parties are also related when they are under the common control of another entity.

The related parties for Payper B.V. can be grouped as the group companies, the subsidiaries, the members of board of directors, shareholders and other close affiliates.

Financial instruments
Financial instruments include primary financial instruments, such as receivables and payables. The accounting policies for the primary financial instruments are reported at the notes to the individual accounts. Payper does not use financial derivatives.

Foreign currencies
In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

Payper has investments in legal entities which are mainly incorporated and registred in The Netherlands, whom use the EURO as functional and reporting currency.

Accounting estimations and assumptions

In preparing the 2018 consolidated financial statements of Payper, the directors are required to make judgements and estimations which could have a significant impact on the amounts recognized in the financial statements, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not recognized in the financial statements. Actual results may differ from these estimates.

The estimates and associated assumptions used in the financial statements are based on historical experience and other factors that are considered to be relevant, and provide the fairest possible view of the projected future of Payper. Management believes that there is a reasonable basis for all assumptions, expectations and estimations. Estimations are based on known and unkown risks, uncertainties and other factors. Therefore, actual results may differ from the these estimates.

Fair value measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). For this level Payper uses generally accepted valuation models.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed below:

Intangible assets

The fair valueof Intangible assets acquired in business combinations is based on the expected cash flows from use of the assets (level 3).

Property, Plant and Equipment

The fair value of Property, Plant and Equipment acquired in business combinations is based on market value. The market value is the estimated consideration at which the assets could be transferred between a well-informed buyer and seller in a orderly business transaction between 3rd parties (level 3).

Financial instruments (includes accounts receivable and accounts payable)

The accounts receivable and accounts payable are initially recorded at fair value and subsequently amortized at cost using the effective interest rate method, and net of any impairment loss. The impairment is determined on the basis of indivual judgement of receivables. Comissions and discounts at the moment of acquisition are taken into account in determining the effective interest rate (Level 3).

Impairment of tangible and intangible assets (excluding goodwill)

At each reporting date, the Group reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss.

An impairment loss occurs when the recoverable amount is estimated to be lower than the carrying amount. Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The most important estimations in determining the recoverable amount are the discount rate, remaining economic life, growth percentage used in cashflow predictions, operational costs, future gross margins and residual value (if applicable).

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Goodwill impairments cannot be reversed.

Goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

BASIS OF ACCOUNTING FOR THE VALUATION OF ASSETS, LIABILITIES AND EQUITY

Intangible assets

Intangible assets include goodwill, internally-developed software and other intanglibe assets.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not amortised but is reviewed for impairment at least annually. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Internally-generated intangible assets – research and development expenditures

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditures on research activities are recognised as an expense in the period in which they are incurred. The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognized seperately in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortizationpercentages used from the date on which the intangible asset is used are:

Goodwill	**0%**
Development expenditures	**20%**

Property, plant and equipment

Property, plant and equipment includes equipment & fixtures and lease right-of-use assets. Equipment & fixtures are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is based on the estimated economic life and calculated using a fixed percentage, taking into account any residual value. Depreciation starts on the date the assets is being used for the first time.

The lease right-of-use asset will be depreciated over the period of the lease contract. The right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

The depreciation percentage for Property, plant and equipment is 20%, except for lease right-of-use assets which are depreciated over the lease contract. Depreciation expenses are reported as administrative expenses.

Financial non-current assets

The debt instruments are classified at amortized cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method. Interest income is recognised in profit or loss and is included in the “finance income”.

Held for sale assets and obligations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Starting the moment when assets are classified as held for sale, no impairment and amortization are reported. The oblgiations related to held for sale assets are reported separately as part of held for sale assets.

Accounts receivable

The trade receivables and other accounts receivable are initially recorded at fair value and subsequently valued at amortized cost, which is equal to the nominal value, including a loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated based on individual judgement of receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits with an initial maturity of 3 months or less, net of outstanding bank overdrafts. Cash and cash equivalents are valued at nominal value. Given the short-term characteristics of cash and cash equivalents, the nominal value is basically equal to the fair value. Cash and bank balances are on free demand except when notes otherwise in the notes to the financial statements.

Equity

Financial instruments issued are classified as either share capital or financial liabilities in accordance with the economic substance of the contractual terms of the instruments. Issued ordinary shares are classified in Share capital. Costs directly attributable to the issueance of ordinary shares are, after deduction of any taxes, deducted from share capital.

Borrowings and other non-current liabilities

Borrowings and other non-current liabilities, with the exception of lease obligations, contain debt to financial institutions and other non-current liabilities and obligations. Borrowings and other non-current liabilities are recognized initially at fair value, less transaction costs that are directly attributable to the issuance of these borrowings. Subsequent to initial recognition, borrowings are stated at amortized cost, any differences between the book value and the nominal value is recognized in the income statement over the period of the borrowings using the effective interest method. Transaction costs are reported in the income statement over the time till maturity using the effective interest rate method.

For all leases, except short-term and low-value assets leases, a right-of-use asset and lease liablity is recorded in the consolidated statement of financial position, initially measured at the present value of future lease payments. In subsequent periods, deprecation is recognized on the right-of-use asset and interest on the lease liability in the consolidated statement of profit or loss. The lease payments will be separated in a principal and interest portion, which are reported seperatly in the consolidated statement of cash flows (financing activities and operating activities respectively). Right-of-use assets are tested for impairment at least annually.

Short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized as a lease expense on a straight-line basis.

Social security and other accrued personnel expenses

Payper has various social security plans. The social security plans are financed by contributions to pension providers, namely sector pensionfunds and insurance companies. The social security plans are defined contribution plans.

Defined contribution plans

The assets of the defined contribution plans are held separately from those of the Group in funds under the control of trustees. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Payper has no legal or factual obligation if the pension funds have insufficient assets. The plans do not expose the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The pension contributions are reported in the statement of profit or loss as personnel expenses in the year they are incurred.

Accrued contributions are reported as an asset to the extend this results in a cash reimbursement or an adjustment of future contributions. Contributions to a defined contribution plan payable after more than 12 months after the end of the period in which the employee conducted the related performance are discounted to their present value.

Other payables resulted from personnel benefits

Other payables stemming from personnel benefits are rewards which are part of the employee reward package. Included in this payable are deffered benefits. The recorded payables are the best estimates of the amounts necessary to settle the payables at the reporting date.

In calculating the anniversary bonus the probabilty that employees leave the Group before reaching the threshold for the bonus payment is included. The payable is calculated taking into consideration the time value of money by reporting the sum of discounted cashflows on the reporting date.

Deferred tax assets and liabilities

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are reported at nominal value.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Trade and other payables

Trade payables are non-interest bearing payables and are initially reported at fair value, being the expected value at which the payable will be settled.

The other payables are also valued at fair value. After initial recognition, trade and other payables are valued at amortized cost.

Basis of accounting for profit and loss

Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Service revenues are recognized over time proportionally to the completion of the contract, based on the costs incurred as part of total estimated costs for the contract on the reporting date. The cost of sales of these services are allocated to the same periods.

Cost of sales

Cost of sales are direct and indirect costs related to the revenue, including personnel expenses, social security expenses, pension plan contributions, study costs, cost of hired personnel and costs for hiring intermediaries.

Sales expenses

The sales expenses consits of costs incurred by the headoffice to support the sales activities including marketing costs and costs incurred in promotional activities.

Administrative expenses

Administrative expenses include costs incurred to control the daily activities of the Group.

Finance income and costs

The finance income comprimises the interest income on invested amounts. The finance costs compromises, amongst other things, the interest on retrieved funds, interest on financial leases and financing costs on provisions and obligations.

Finance income and costs are reported in the statement of profit or loss using the effective interest rate method.

Taxation

The income tax expense represents the sum of the current income tax payable and deferred income tax, taking into account items excluded from taxation. The current tax expense is based on taxable profit for the year. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

The Group's liability for current and deferred tax is the expected tax payable over the profit for the year reported in the financial statements, calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows is prepared according to the indirect method. Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The cash flows are divided in cash flows from operations, investing activities and financing activities.

Cash flows in foreign currencies are translated at the rates used in the statement of profit or loss. Income tax cash flows are presented in the cash flow from operations. Interest receipts and payments are presented in the cash flow from investing activities and financing activities respectively. Dividend paid are reported in the cash flow from financing activities.

Lease payments made under finance lease agreements are presented as a payment in the cash flow from investing activities. Transactions in which no exchange of cash occur are not included in the consolidated statement of cash flows.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest- and cashflow risk mangement

Payper is exposed to interest risk on the interest bearing receivables (especially financial non-current assets) and interest bearing non-current and current debt.

Receivables and paybles with variable interest terms subject Payper to risks regarding future cash flows; receivables and payables with fixed interest rates subject Payper to fair value risks as a result of changes in the market interest rate.

The management of Payper believes the current distribution in fixed/variable interest is sufficient to mitigate these risks as much as possible.

Credit risk management

Payper B.V. has about 937 clients. The Group does not have significant credit risk exposure to any single customer. To limit the credit risk exposure as much as possible, a thorough creditworthiness test is conducted before a potential client is accepted.

Liquidity risk management

Payper using multiple credit institutions which limits the dependency on a single creditintitution. The current credit facility is sufficient to realize the autonomous growth for 2019.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

1. Intangible assets

	Goodwill	Development expenditures	Total
	€	€	€
Carrying amount 1 January 2018	1,324,435	774,825	2,099,260
Investments	-	514,555	514,555
Amortization	-	(171,442)	(171,442)
Carrying amount 31 December 2018	**1,324,435**	**1,117,938**	**2,442,373**
Acquisition value 31-12-2018	1,324,435	1,371,767	2,696,202
Cumulative amortization	-	(253,829)	(253,829)
Carrying amount 31 December 2018	**1,324,435**	**1,117,938**	**2,442,373**
The amortizationpercentage is:	0%	20%	

Development expenditures are related to the internally developed PayperOne platform.

Intangible assets

	Goodwill	Development expenditures	Total
	€	€	€
Carrying amount 1 January 2017	1,324,435	395,940	1,720,375
Investments	-	452,168	452,168
Amortization	-	(73,283)	(73,283)
Carrying amount 31 December 2017	**1,324,435**	**774,825**	**2,099,260**
Acquisition value 31-12-2017	1,324,435	848,108	2,733,036
Cumulative amortization	-	(73,283)	(633,776)
Carrying amount 31 December 2017	**1,324,435**	**774,825**	**2,099,260**
The amortizationpercentage is:	0%	20%	

2. Property, plant and equipment

	Equipment & Fixtures	Right-of-use asset	Total
	€	€	€
Carrying amount 1 January 2018	174,100	-	174,100
Investments	184,193	694,567	878,760
Depreciation	(66,347)	(209,776)	(276,123)
Carrying amount 31 December 2018	**291,946**	**484,791**	**776,736**
Acquisition value 31 December 2018	573,433	694,567	1,268,000
Cumulative depreciation	(281,487)	(209,776)	(491,264)
Carrying amount 31 December 2018	**291,946**	**484,791**	**776,736**
The depreciation percentages are:	20%	30.2%	

Property, plant and equipment

	Equipment & Fixtures	Right-of-use asset	Total
	€	€	€
Carrying amount 1 January 2017	265,918	-	265,918
Investments	(25,919)	-	(25,919)
Depreciation	(65,899)	-	(65,899)
Carrying amount 31 December 2017	**174,100**	**-**	**174,100**
Acquisition value 31 December 2017	473,230	-	473,230
Cumulative depreciation	(299,130)	-	(299,130)
Carrying amount 31 December 2017	**174,100**	**-**	**174,100**
The depreciation percentages are:	20%		

3. Financial non-current assets

	2018	2017
	€	€
Investments in associates	-	-
Other receivables	696,585	577,048
Deferred tax assets	23,725	23,725
	720,310	**600,773**

Investments in associates

This concerned the investment in Storm Security C.V. located in Hoeven.
Storm Security C.V. has repaid the loan provided by Payper Beveiliging B.V. in full on 1 July 2017.

Storm Security C.V.	2018	2017
	€	€
Carrying amount 1 January	-	185,929
Movements in financial year	-	(220,604)
		(34,675)
Portion of profit for the year	-	34,675
Carrying amount 31 December	-	-

Other receivables	2018	2017
	€	€
Other receivables	956,310	577,048

Movements in other receivables	2018	2017
	€	€
Balance at 1 January	1,071,048	433,012
Loans issued	319,537	844,122
Interest	60,000	27,184
Repayments	(494,000)	(233,270)
	956,585	1,071,048
Classified as current other receivables	(260,000)	(494,000)
Balance at 31 December	**696,585**	**577,048**

Movements in deffered tax assets	2018	2017
	€	€
Balance at 1 January	23,725	31,427
Change reporting year	-	(7,702)
Balance at 31 December	**23,725**	**23,725**

CURRENT ASSETS

4. Other receivables and accrued income

	2018	2017
	€	€
Other receivables	897,242	718,754
Accrued income	477,170	554,384
	1,374,412	**1,273,138**

5. Cash and cash equivalents

	2018	2017
	€	€
ABN AMRO Bank	122,275	689,130
Other	18,333	13,289
	140,608	**702,419**

The reported cash and cash equivalents at 31 December 2018 are on free demand, except for the ABN AMRO Bank G-account amounting €122,275 (2017: €689,130).

EQUITY

6. Share captial

The share capital of Payper B.V. amounts to €1,250,000, divided in 12,500 ordinary shares with a nominal value of €100 each. All shares are issued and fully paid.

7. Retained earnings

	2018	2017
	€	€
Balance at 1 January	689,563	472,710
Profit distribution previous year	(7,476)	216,853
Balance at 31 December	**682,087**	**689,563**

8. Profit for the year

	2018	2017
	€	€
Balance at 1 January	(7,476)	216,853
Total profit for the year	63,358	(7,476)
Profit distribution previous year	(7,476)	(216,583)
Balance at 31 December	**63,358**	**(7,476)**

The undistributed profit is compromised by the amount of profit not distributed to shareholders. The amount is available to the shareholders.

9. Borrowings and other non-current liabilities

	Total €	Duration >1 year	Duration >5 year	Interest %
Stichting Obligatiehoudersbelangen (*)	2,195,404	2,225,113	-	8.1
MKB Impulsfonds (**)	312,500	-	-	10.4
Lease Liability	494,487	243,010	-	2
	2,883,540	2,468,123	-	

(*) On 1 November 2016 Payper issued 2,339 subordinate bonds with a nominal value of €1,000 each. The bond matures 6 years after issuance, the interest rate is 7.5%. No principal payments are made before maturity. The total transaction costs (costs for prospectus, AFM and successfee NPEX) amount €173,305. These are deducted on the bond and are accounted for in the profit or loss over 72 months. The effective interest rate is 8.1%. The coupon rate of 7.5% is distributed in monthly payments.

(**) The interest on the subordinate bond of €1,000,000 amounts 10.40%. The qualterly principal repayment is €62,500, starting on 31 March 2016. This bond is subordinate to current and/or future legal affairs with ABN AMRO Commercial Finance and ABN AMRO Bank N.V.

Pledged guarantees

The debt to Stichting Obligatiehoudersbelangen is subordinate of the loan to ABN AMRO Commercial Finance N.V. and MKB Implusfonds. As guarantee, the shareholders have pledged guaranteed deposits with a combined value of €75,000 to MKB Impulsfonds. The receivables of the entities connected to the Group are pledged as collateral to ABN AMRO Commercial Finance N.V..

Financing

In 2018 ABN Amro Commercial Finance N.V. informed Payper that it would increase the current credit facility of €15 million to €2.5 million to €17.5 million if that is required for funding the organization's increase in turnover and the accompanying receivables balance.

CURRENT LIABILITIES

10. Debt to credit institutions

	31-12-2018 €	31-12-2017 €
ABN Amro Commercial Finance N.V. (***)	5,894,053	4,554,045
MKB Impulsfonds	312,500	250,000
Lease liability	251,477	-
	6,458,030	**4,804,045**

(***) On 1 November 2016 Papyer B.V. issued a subordinate bond. The €375,000 subordinate bond of shareholder(s) has been converted in a subordinate bond of €200,000 and a pay out of €175,000 after consultation with ABN AMRO Commercial Finance N.V. and MKB Impulsfond

11. Tax and social security liabilities

	31-12-2018 €	31-12-2017 €
Corporation tax	2,280	(21,804)
Payroll tax	902,086	1,947,306
Income tax	717,824	853,351
Pension contributions	172,449	131,363
	1,794,639	**2,910,216**

12. Other liabilities and deferred expenses

	31-12-2018 €	31-12-2017 €
Holiday benefits payable	2,961,949	2,859,367
Net wages payable	977,790	907,829
Performance obligation intermediairs	980,952	1,114,705
Others	258,639	213,707
	5,179,330	**5,095,608**

ASSETS AND LIABILITIES NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Pledged guarantees

The shareholders have pledged guaranteed deposits with a combined value of €75,000.

The Wages and Salaries Tax and Social Security Contributions Act

On the basis of the Lliability of Subcontractors Act, The Group is jointly and severally liable for payment of social security schemes and wage- and income tax when outsourcing operations or hiring employees.

Disputes with the Dutch tax authority

Payper Horeca B.V. has received additional tax assesments over the year 2014 up until 2016 with concerning improper sector contribution in the tax returns with a combined value of €558,000. Payper Horeca B.V. has consulted fiscal legal advice and objected the additional assessments because they were determined on incorrect grounds.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

13. Revenue

Geographical segmentation of revenue	2018 €	2017 €
The Netherlands	75,198,644	76,864,647
Others within the EU	1,581,527	4,978,056
	76,780,171	**81,842,703**

Business activity segmentation of revenue	2018 €	2017 €
Backoffice activities intermediaries	59,779,268	65,618,109
Payroll activities	16,952,588	16,025,334
Administrative services	48,315	199,260
	76,780,171	**81,842,703**

Personnel costs	2018 €	2017 €
Wages and salaries	50,868,176	56,038,129
Social security	7,745,111	8,053,946
Pension contributions	1,021,202	1,115,842
	59,634,489	**65,207,917**

The Group had on average 1,694 employees in 2018 (2017: 1,723). This includes 26 indirect (support) employees (2017:33). Of the total wages and salaries, €1,733,207 (2017: €2,240,300) is recognised in administrative expenses. Payper annually reserves 1.02% of the gross wages and salaries as costs for training and education for Phase A employees (ABU) and Phase 1 & 2 employees (NBBU). The total reserved amount for 2018 is €286,074 (2017: €285,157), the actual expenditure for the year is €392,635 (2017: €265,395).

The management remuneration for directors and former directors amounted to €503,400 (2017: €503,400). The remuneration for the external auditor for the audit of the financial statements amounted €37,500 (2017: €32,500).

Depreciation fixed assets	2018 €	2017 €
Equipment & Fixtures	66,347	65,899
Right-of-use asset	209,776	-
	276,123	**65,899**

14. Amortization intangible assets

	2018 €	2017 €
Development costs	171,442	73,283

15. Finance income

	2018 €	2017 €
Associated parties	-	4,812
Intermediaries	44,517	55,816
	44,517	**60,628**

16. Finance expenses

	2018 €	2017 €
Bond holders	(201,360)	(205,134)
MKB Impulsfonds	(42,990)	(63,398)
ABN AMRO Commercial Finance N.V.	(330,125)	(398,287)
Others	(144,295)	(17,293)
	(718,770)	**(684,112)**

17. Income tax

Payper Payroll B.V. and her subsidiaries form a fiscal unity. Pursuant to the collection of State Taxes Act, the company and its subsidiary are both severally and jointly liable for the tax payable by the combination.

In the financial statements, tax expenses are calculated on the basis of the commercial result. Entities within the fiscal unity settle these expenses through their intercompany accounts.

	2018 €	2017 €
Current income tax	(20,996)	(19,548)
Deferred income tax	-	7,702
	(20,996)	**(11,846)**

		2018 €		2017 €
Profit before tax		84,354		(30,305)
Nominal tax rate	-20%	(16,870)	+20%	6,061
Other corrections	-	-	-23%	(6,972)
Prior year adjustments	-3%	(2,892)	-36%	(10,935)
Effective taxrate	25%	(20,996)	-39%	(11,846)
		(20,996)		**(11,846)**

TRANSACTIONS WITH RELATED PARTIES

€503,400 has been distributed as management remuneration to related parties in 2018.

The price determination of transactions with related parties has been conducted at arm's length.

STATUTORY ARRANGEMENT REGARDING PROFIT DISTRIBUTION

According to the articles of assocation of the corporation, the profit is available to the Annual General Meeting of shareholders.

The corporation is only able to distribute profits to the extent which the equity is larger than the paid and redeemed part of the share capital, increased with the legal reserves.

MANAGEMENT PROFIT DISTIBUTION PROPOSAL

The management proposes to add the result to the retained earnings.

Signed by management,
Breda, June 28, 2019

Payper B.V. ,
On behalf of

Sequoia Beheer B.V.
E.T. Schaap

Snoeren Management B.V.
C.E.A.A. Snoeren

COMPANY BALANCE SHEET AS OF 31 DECEMBER 2018

	Note	31-12-2018	31-12-2017
		€	€
Non-current assets			
Intangible assets		**1,258,771**	**1,258,771**
Financial non-current assets	18	**1,591,228**	**1,567,552**
Current assets			
Accounts receivables		**4,532,037**	**1,852,741**
Current accounts group companies		4,149,111	1,736,075
Current accounts shareholder(s)		295,384	60,407
Other receivables and accrued income		87,542	56,259
Cash and cash equivalents		**83,880**	**19,727**
TOTAL ASSETS		**7,465,916**	**4,698,791**
Equity			
Share capital	19	1,250,000	1,250,000
Retained earnings	20	682,087	689,563
Profit for the year	21	63,358	(7,476)
		1,995,445	**1,932,087**
Borrowings and other non-current liabilities		**2,225,113**	**2,445,404**
Current liabilities			
Debt to credit institutions		312,500	250,000
Debt to group companies		2,910,203	-
Tax and social security liabilities		14,169	71,300
Other liabilities		8,486	-
		3,245,358	**321,300**
TOTAL EQUITY AND LIABILITIES		**7,465,916**	**4,698,791**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	€	€
Share in profit of investments	23,676	(7,509)
Other income and expenses after tax	39,682	33
After tax profit	**63,358**	**(7,476)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Basis of accounting

The description of Group activities and structure, as included in the notes to the consolidated financial statements, also apply to the company financial statements.

The company financial statements of Payper B.V. have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Dutch Civil Code, except for where these requirements conflict with the International Financial Reporting Standards used to prepare the Consolidated Financial Statements. In such cases, the International Financial Reporting Standards prevail. Through application of article 2:362.8 BW, the basis of accounting used in valuation and profit determination are in accordance with those used in the consolidated financial statements. *(review)*

The reporting currency of the company financial statements is EURO. The financial information of Payper B.V. is processed in the consolidated financial statements and therefore, using article 2:402 BW, a shortened version of the statement of profit or loss and other comprehensive income is used in the company financial statements.

Investments

Investments in Group entities in which it has the practical ability to direct the relevant activities of the investee unilaterally are valued at net equity basis, but never lower than €0,-. The net equity basis is determined on the basis of accounting of Payper B.V. as applied in the consolidated financial statements.

Investments with a negative net equity basis are valued at €0,-. When the Group has issued full or partially pledged guarantees for such an investment, a provision is formed which equals the amount with which the factual obligation of pledged guarantee in that investment can be fulfilled. In determining the amount of the provision, the previously recognised allowance for expected credit loss on the investments are considered.

NOTES TO THE COMPANY BALANCE SHEET AS OF 31 DECEMBER 2018

18. Financial non-current assets

	Value as of 01-01-18	Dividend	Profit for the year	Carrying amount as of 31-12-18
	€	€	€	€
Payper Payroll B.V.	1,174,046	-	(7,508)	1,166,538
Payper Support B.V.	196,945	-	(7,495)	189,450
Co-Flex TPF B.V.	176,922	-	38,447	215,369
Payper Labs B.V.	19,639	-	232	19,871
Carrying amount 31 December 2018	**1,567,552**	**-**	**23,676**	**1,591,228**

19. Share Capital

The share capital of Payper B.V. amounts to €1,250,000, divided in 12,500 ordinary shares with a nominal value of €100 each. All shares are issued and fully paid.

20. Retained earnings

	2018	2017
	€	€
Value as of 1 January	689,563	472,710
Profit distribution previous year	(7,476)	216,853
Balance as of 31 December	**682,087**	**689,563**

21. Profit for the year

	2018	2017
	€	€
Balance as of 1 January	(7,476)	216,853
Total profit for the year	63,358	(7,476)
Profit distribution previous year	7,476	(216,853)
Balance as of 31 December	**63,358**	**(7,476)**

OTHER NOTES AND APPROVAL OF THE FINANCIAL STATEMENTS

STATUTORY ARRANGEMENT REGARDING PROFIT DISTRIBUTION

According to the articles of assocation of the corporation, the profit is at free disposal of the General Meeting.

Management signature,
Breda, June 28, 2019

Payper B.V. On behalf of,

Sequoia Beheer B.V.
E.T. Schaap

Snoeren Management B.V.
C.E.A.A. Snoeren

OTHER INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To: The shareholders of Payper B.V.

A. Report on the audit of the financial statements 2018 included in the annual report

Our opinion
We have audited the financial statements 2018 of Payper B.V., based in Breda.
The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of Payper B.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Payper B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1 the consolidated statement of financial position as at 31 December 2018;
2 the following statements for 2018:
the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1 the company balance sheet as at 31 December 2018;
2 the company profit and loss account for 2018; and
3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Payper B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- the management report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Breda, June 28, 2019
Van Oers Audit B.V.

W.K. Kruisifikx RA

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