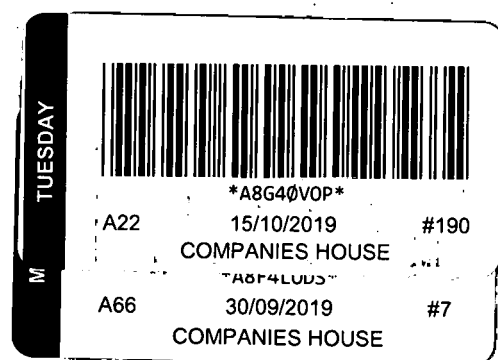


Registered number: 03202517

**Paysafe Holdings UK Limited**

**Financial statements**

**for the year ended 31 December 2018**



# **Paysafe Holdings UK Limited**

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# **Paysafe Holdings UK Limited**

## **Contents**

### **Officers and professional advisers**

#### **Directors**

Elliott Wiseman  
Paul Brooking

#### **Registered office**

Floor 27  
25 Canada Square  
London  
England  
E14 5LQ

#### **Registered auditors**

Deloitte LLP  
Statutory Auditor  
Hill House  
1 Little New Street  
London  
EC4A 3TR  
United Kingdom

# **Paysafe Holdings UK Limited**

## **Strategic Report**

The Directors present their Strategic report on Paysafe Holdings UK Limited (the "Company") for the year ended 31 December 2018.

### **Principal activity and business review**

The principal activity of the Company in the period under review was that of an intercompany service provider, a treasury company and the owner of some of the Paysafe Group's intellectual property, from which it derives intercompany income where it is employed in the wider Group.

The principal activity of the Company in the period under review was that of an intercompany service provider, a treasury company and the owner of some of the Paysafe Group's intellectual property, from which it derives intercompany income where it is employed in the wider Group.

During the year the Company employed all of the technology development staff of the Paysafe Group based in the United Kingdom as well as provided routine software and product development services to other Paysafe Group entities in relation to certain Paysafe platforms. These activities generated revenue of €17,722,229 in the current year.

On 26 April 2018 a series of transactions were completed in order to unwind intra-group debt and thus simplify the financing structure of the Paysafe Group (the "Unwind"). As a result, the Company fully impaired its investment in one of its subsidiaries for an amount of €396,452,567 and recognised dividend income of €485,009,758. Additionally, certain related party balances were settled on a cashless basis (see further details in Note 15).

In May 2018 and September 2018, the Company carried out a bonus issue of EUR denominated preference shares to Paysafe Group Limited for an amount of €646,000,000 and €230,000,000, respectively. For this purpose the Company reduced its share premium account by €500,800,237 to create distributable reserves. This was completed as part of a series of transactions to minimise the foreign exchange exposure Pi UK Bidco Limited, an indirect parent company, has under its Euro denominated liabilities.

In December 2018, the Company disposed of certain intangible assets including intellectual property, platform development costs and computer software to another group company for consideration totalling €321,968,044. As part of this transaction, the Company was issued shares for consideration of the same amount in Skrill Holdings Limited, a subsidiary of the Company.

### **Results and transfer to reserves**

The Company made a loss of €433,928,734 (2017: loss of €552,453,088).

### **Key performance indicators (KPI)**

The Company does not use any key performance indicators to monitor the business besides those presented in the financial statements and identified above.

# **Paysafe Holdings UK Limited**

## **Strategic Report**

### **Disclosure of principal risk and uncertainty**

#### *Brexit*

The Paysafe Group continues to make contingency plans in the event of certain of its FCA regulated entities losing their passport rights into the EU. In event of passporting rights being lost and the contingency plans not being sufficiently progressed then the Group might lose material revenues and profits for a period of time. Brexit might impact the Company via withholding taxes on dividends distributed from subsidiaries based in the EU.

Subsequent to the balance sheet date (see Note 18 of the financial statements) the Group has received two licenses from the Central Bank of Ireland ("CBI") to enable the continuity of operations with ongoing EEA jurisdictions.

#### *Reliance on Group companies*

The Company can meet its obligations only if the trading entities within the Paysafe Group continue to perform well operationally, as the Company is financed via loans. At present there is no indication that the aforementioned group companies will not continue to perform well operationally.

#### **Future developments**

The Company is expected to act as an intercompany service provider and a treasury company in the future.

Approved by the Board of directors and signed on behalf of the Board



**Paul Brooking**  
*Director*

30 SEPTEMBER 2019

# **Paysafe Holdings UK Limited**

## **Directors' Report**

The directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2018.

### **Business review and future outlook.**

The review of the business for the year is given in the Strategic Report on page 2 and 3. The Company is expected to continue to act as a holding company.

### **Dividend**

The Directors do not recommend the payment of a dividend for the year-ended 31 December 2018 (2017: €33,000,000).

### **Going concern**

The Company had a net current liability position of €995,723,787 at 31 December 2018. An indirect parent company, Paysafe Group Holdings II Limited, will provide finance to the Company to enable it to meet its existing and future liabilities in order for it to continue as a going concern. This financial support will continue for a period of not less than 12 months from the date of signing the financial statements of the Company for the year ended 31 December 2018. As such the directors adopt the going concern basis in the preparation of these financial statements.

### **Post balance sheet events**

Please refer to note 18 of these financial statements.

### **Financial risk management**

The Company's operations expose it to a number of financial risks that mainly include currency risk and liquidity risk.

#### *Currency risk*

The Company is exposed to currency risk due to financial assets and liabilities primarily denominated in United States Dollar ("USD") and Great Britain Pound ("GBP"). The Company manages the exposure to currency risk by limiting the use of other currencies for operating expenses where possible, thereby minimising the realised and unrealised foreign exchange gain/(loss).

#### *Liquidity risk*

The Company had significant balances of loans and payables to group companies at the year-end date. Management controls and monitors the Company's cash flow on a regular basis, including forecasting future cash flows.

### **Directors**

The Directors who served during the year and to the date of this report, except as noted, were:

Elliott Wiseman

Paul Brooking (appointed 1 May 2018)

James Parsons (resigned 1 May 2018)

# **Paysafe Holdings UK Limited**

## **Directors' Report**

### **Directors' indemnity insurance**

As permitted by Section 233 of the Companies Act 2006, the Company has insurance cover on behalf of the directors indemnifying them against certain liabilities which may be uncured by them in relation to the Company.

### **Disclosure of information to the auditors**

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined by Section 418 (1) to (4) of the Companies Act 2006) of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

The Company's auditors, Deloitte LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Company's next board meeting.

### **Statement of directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance applicable UK accounting standards
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board of directors and signed on behalf of the Board

  
**Paul Brooking**  
Director

30 SEPTEMBER 2019

# **Paysafe Holdings UK Limited**

## **Independent auditors' report to the members of Paysafe Holdings UK Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Paysafe Holdings UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income,
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.



## **Paysafe Holdings UK Limited**

### **Independent auditors' report to the members of Paysafe Holdings UK Limited**

#### **Other information**

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

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **Paysafe Holdings UK Limited**

## **Independent auditors' report to the members of Paysafe Holdings UK Limited**

### **Report on other legal and regulatory requirements**

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

*S. Cumberbatch*

Stewart Cumberbatch, FCA, BSc  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham  
United Kingdom  
30 September 2019

## Paysafe Holdings UK Limited

### Statement of Comprehensive Income For the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue	2	17,722,229	7,338,376
<b>Gross profit</b>		<b>17,722,229</b>	<b>7,338,376</b>
Administrative expenses		(31,539,635)	(110,305,679)
Impairment on investments in subsidiaries	5	(1,216,838,185)	(795,023,392)
Dividend income	5	809,010,298	383,155,190
<b>Operating loss</b>	5	<b>(421,645,293)</b>	<b>(514,835,505)</b>
Finance costs	7	(36,545,997)	(46,907,406)
Finance income	7	20,371,015	6,470,640
<b>Loss before taxation</b>		<b>(437,820,275)</b>	<b>(555,272,271)</b>
Corporation tax credit	8	3,891,541	2,819,183
<b>Loss for the financial year attributable to owners of the Company</b>		<b>(433,928,734)</b>	<b>(552,453,088)</b>

Revenue and operating profit are all derived from continuing operations. There were no items recognised within other comprehensive income.

The notes on pages 12 to 24 form part of these financial statements.

# Paysafe Holdings UK Limited

## Statement of Financial Position As at 31 December 2018

	Note	2018 €	2017 €
<b>Non-current assets</b>			
Intangible assets	10	21,192,757	340,254,020
Property, plant and equipment	9	156,444	199,782
Deferred tax asset	8	7,450,152	2,819,183
Investments in subsidiaries	11	455,603,646	834,348,452
		<u>484,402,998</u>	<u>1,177,621,437</u>
<b>Current assets</b>			
Cash and cash equivalents		7,519,869	18,858,052
Amounts receivable from parent companies	15	191,248,781	38,147,128
Amounts receivable from group companies	15	234,523,724	592,412,872
Trade and other receivables	12	398,416	2,813,200
Prepaid expenses and other		5,385,558	7,098,488
		<u>439,076,348</u>	<u>659,329,740</u>
<b>Total assets</b>		<u>923,479,347</u>	<u>1,836,951,177</u>
<b>Current liabilities</b>			
Trade and other payables	13	8,936,077	8,894,462
Amount owed to parent company	15	1,058,010,604	269,614,464
Amounts owed to group companies	15	367,853,454	995,648,265
		<u>1,434,800,135</u>	<u>1,274,157,191</u>
<b>Net current liabilities</b>		<u>(95,723,787)</u>	<u>(614,827,451)</u>
<b>Total assets less current liabilities</b>		<u>(511,320,788)</u>	<u>562,793,986</u>
<b>Net (liabilities)/assets</b>		<u>(511,320,788)</u>	<u>562,793,986</u>
<b>Equity</b>			
Share capital	14	2	2
Share premium account	15	-	500,800,237
Capital contribution reserve	15	235,831,161	17,201
Retained earnings		<u>(747,151,951)</u>	<u>61,976,546</u>
<b>Equity attributable to owners of the Company</b>		<u>(511,320,788)</u>	<u>562,793,986</u>

The notes on pages 12 to 24 form part of these financial statements.

The financial statements of Paysafe Holdings UK Limited (No. 03202517) were approved by the board of directors and authorised for issue on 30 September 2019. They were signed on its behalf by:



Director

30 SEPTEMBER 2019

PAUL CROOKING

## Paysafe Holdings UK Limited

### Statement of changes in equity For the year ended 31 December 2018

	Note	Share capital €	Share premium €	Capital contribution reserve €	Retained earnings/ (deficit) €	Total €
<b>Balance at 1 January 2017</b>		<b>583,101,893</b>	<b>45,691,605</b>	-	<b>18,636,137</b>	<b>647,429,635</b>
Total comprehensive loss		-	-	-	(552,453,088)	(552,453,088)
Capital reduction		(583,101,892)	(45,691,605)	-	628,793,497	-
Share issuance		1	500,800,237	-	-	500,800,238
Dividend distribution		-	-	-	(33,000,000)	(33,000,000)
Share option expense		-	-	17,201	-	17,201
<b>Balance at 31 December 2017</b>		<b>2</b>	<b>500,800,237</b>	<b>17,201</b>	<b>61,976,546</b>	<b>562,793,986</b>
<b>Balance at 1 January 2018</b>		<b>2</b>	<b>500,800,237</b>	<b>17,201</b>	<b>61,976,546</b>	<b>562,793,986</b>
Total comprehensive loss		-	-	-	(433,928,734)	(433,928,734)
Capital reduction	15	-	(500,800,237)	-	500,800,237	-
Issuance of bonus preference shares	15	-	-	-	(876,000,000)	(876,000,000)
Capital contribution	15	-	-	235,813,960	-	235,813,960
<b>Balance at 31 December 2018</b>		<b>2</b>	<b>-</b>	<b>235,831,161</b>	<b>(747,151,951)</b>	<b>(511,320,788)</b>

The notes on pages 12 to 24 form part of these financial statements.

# **Paysafe Holdings UK Limited**

## **Notes to the financial statements** **For the year ended 31 December 2018**

### **1. General information**

Paysafe Holdings UK Limited (the Company) is a private company limited by shares incorporated in England and Wales.

The registered office at Floor 27, 25 Canada Square, London E14 5LQ.

The nature of the Company's operations and its principal activities are that of an intercompany service provider, a treasury company.

### **2. Significant accounting policies**

#### **Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions with other group companies.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the consolidated financial statements of Paysafe Group Holdings Limited (see Note 17).

These financial statements are presented in Euros ("€") which is also the Company's functional currency.

#### **Basis of measurement**

The financial statements are prepared under the historical cost convention.

#### **Going concern**

The financial statements are prepared on a going concern basis, as the Board of Directors are satisfied that the Company has the resources to continue in business for at least 12 months from the approval of these financial statements. In making this assessment, the Board have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital resources and available financial support.

The Company had a net current liability position of €995,723,787 at 31 December 2018. An indirect parent company, Paysafe Group Holdings II Limited, has indicated that they will continue to provide financial support to the Company for at least 12 months from the date of signing of these financial statements and on this basis the Directors consider it appropriate to prepare the financial statements on the going concern basis.

#### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment.

#### **Revenue recognition**

Revenue is derived from recharges made to other group companies based on centrally incurred charges plus an agreed mark-up on the accruals basis.

#### **Dividend and interest revenue**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## **Paysafe Holdings UK Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2018**

#### **Foreign currencies**

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### **Operating profit**

Operating profit is stated before investment income and finance costs.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

##### ***Deferred tax***

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 and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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.

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 balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company 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 offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### ***Current tax and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## **Paysafe Holdings UK Limited**

### **Notes to the financial statements**

For the year ended 31 December 2018

#### **Property, plant and equipment**

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	4%
Plant and machinery	10% - 25%
Fixtures and equipment	10% - 30%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within administrative expenses.

#### **Intangible assets**

Intangible assets are stated at cost less amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income within administrative expenses over the assets estimated useful life as follows:

Computer software	3-5 years straight line
Platform development	3-5 years straight line

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Development costs are capitalised only when it is probable that future economic benefit will result from the project and the following criteria are met:

- The technical feasibility of the product has been ascertained;
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- The Group can demonstrate how the intangible asset will generate future economic benefits and the ability to use or sell the intangible asset can be demonstrated;
- It is the intention of management to complete the intangible asset and use it or sell it; and
- The development costs can be measured reliably.

Development expenditure that does not meet the above criteria is expensed as incurred.

#### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



# **Paysafe Holdings UK Limited**

## **Notes to the financial statements**

**For the year ended 31 December 2018**

### **Financial Instruments**

The Group classifies its financial assets as at amortised cost.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowances as stipulated in IFRS 9.

Financial assets at amortised cost include cash and cash equivalents, trade and other receivables, amounts receivable from parent companies and amounts receivable from group companies.

Financial liabilities that are not measured at fair value through profit or loss are classified as amortised cost. Financial liabilities designated as amortised cost are initially measured at their fair value (net of any issue costs for loans and borrowings) and subsequently measured at their amortised cost using the effective interest rate method. They include trade and other payables, amounts owed to parent companies and amounts owed to group companies.

Finance costs are charged to the consolidated statement of comprehensive income using the effective interest rate method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### **Adoption of new and revised standards**

In the current year, the Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments. Their adoption did not have a material impact on the disclosures or on the amounts reported in these financial statements. The Company has also applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Company's financial statements, and expenses during the reporting period. Actual results could differ from those estimated. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's financial statements of changes in estimates in future periods could be significant.

There are no key sources of estimation uncertainty and no significant judgements in applying the company's accounting policies have been made.

### **4. Auditor's remuneration**

Auditor's remuneration of €25,000 (2017: € 20,000) is borne by fellow group company and will not seek to reimburse it in the future. No non-audit services were provided.

## Paysafe Holdings UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 5. Operating loss

Operating result is stated after charging/(crediting):

	2018 €	2017 €
Amortization	5,908,091	83,675,023
Depreciation	44,279	21,089
Impairment loss on investments in subsidiaries	396,452,567	795,023,392
Dividend Income	(809,010,298)	(383,155,190)
Foreign Exchange Loss	2,485,752	4,992,288

On 26 April 2018 a series of transactions were completed in order to unwind intra-group debt and thus simplify the financing structure of the Paysafe Group (the "Unwind"). As a result, the Company fully impaired its investment in one of its subsidiaries for an amount of €396,452,567 and recognised dividend income of €485,009,758. Additionally, certain related party balances were settled on a cashless basis (see further details in Note 15).

During the year the Company also received dividend income from its subsidiaries totalling €324,000,540.

#### 6. Staff costs

	2018 €	2017 €
Wages and salaries	1,874,177	2,123,986
Social security costs	266,126	217,303
Pension costs	100,859	52,248
Share based payments	-	17,201
	<u>2,241,162</u>	<u>2,410,738</u>

The average number of persons employed was:

	2018 Number	2017 Number
Administration and management and other	31	15
	<u>31</u>	<u>15</u>

No remuneration was paid to directors of the Company.

## Paysafe Holdings UK Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 7. Finance income and costs

	2018 €	2017 €
Interest income on loans to group companies	20,371,015	6,470,640
<b>Finance income</b>	<b>20,371,015</b>	<b>6,470,640</b>
Interest expense on loans from group companies	(36,382,324)	(20,683,381)
Interest expense on long-term loan	(148,278)	(10,743,481)
Amortization of financing fees	-	(15,031,832)
Other finance costs	(15,395)	(448,712)
<b>Finance costs</b>	<b>(36,545,997)</b>	<b>(46,907,406)</b>

#### 8. Tax

	2018 €	2017 €
<b>Current income tax</b>		
Current income tax arising from the current period	465,363	-
Adjustments for prior year tax	346,065	-
	<b>811,428</b>	-
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	13,770	(20,849)
Recognition of tax losses	(4,553,622)	(2,798,334)
Adjustment for prior period	(91,117)	-
	<b>(4,630,969)</b>	<b>(2,819,183)</b>
<b>Tax credit for the year</b>	<b>(3,819,541)</b>	<b>(2,819,183)</b>

UK corporation tax has been charged at 19% (2017: 19.25%). Deferred tax is calculated based on the substantively enacted 17% tax rate effective from 1 April 2020.

Under Finance Act 2016, the main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017 and will reduce from 19% to 17% effective from 1 April 2020. The corporation tax rates remain the same under Finance Act 2019 which received Royal Assent in February 2019.

## Paysafe Holdings UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 8. Tax (continued)

The charge for the year can be reconciled to the profit in the income statement as follows:

	2018 €	2017 €
Loss before tax	(437,820,275)	(555,272,571)
Tax expense / (credit) at the UK corporation tax rate of 19% (2017: 19.25%)	(83,185,852)	(106,889,912)
Tax effect of expenses that are not deductible in determining taxable profit	231,823,857	153,042,003
Tax effect of income not taxable in determining taxable profit	(153,711,957)	(73,757,374)
Group relief utilised / (surrendered)	-	24,786,101
Effect of different tax rates between current and deferred tax	534,100	-
Adjustment for prior period	374,246	-
Other	346,065	-
<b>Tax credit for the year</b>	<b>(3,819,541)</b>	<b>(2,819,182)</b>

The tax effect of expenses that are not deductible in determining taxable profit include the impairment of investments in subsidiaries (see Note 11 for further details).

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The composition of deferred tax assets and liabilities is made up as follows:

	Statement of financial position		Statement of comprehensive income	
	2018	2017	2018	2017
	€	€	€	€
Accelerated depreciation/amortisation for accounting purposes	(336,522)	20,849	(357,371)	20,849
Carried forward tax losses	7,786,674	2,798,334	4,988,340	2,798,334
<b>Deferred tax (expense) / income</b>			<b>4,630,969</b>	<b>2,819,183</b>
<b>Deferred tax asset / (liability)</b>	<b>7,450,152</b>	<b>2,819,183</b>		

## Paysafe Holdings UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 9. Property, plant and equipment

	Computer equipment €	Total €
<b>Cost</b>		
At 1 January 2018	220,871	220,871
Additions	941	941
Disposals	-	-
At 31 December 2018	221,812	221,812
<b>Accumulated depreciation and impairment</b>		
At 1 January 2018	21,089	21,089
Charge for the year	44,279	44,279
At 31 December 2018	65,368	65,368
<b>Carrying amount</b>		
At 31 December 2018	156,444	156,444
At 31 December 2017	199,782	199,782

#### 10. Intangible assets

	Computer software €	Platform developmen t €	Intellectual property €	Total €
<b>Cost</b>				
At 1 January 2018	2,348,292	369,098,583	52,482,168	423,929,043
Additions	6,725,332	2,106,660	-	8,831,992
Disposals	(339,784)	(348,762,247)	(52,482,168)	(401,584,199)
At 31 December 2018	8,733,840	22,442,996	-	31,176,836
<b>Amortisation</b>				
At 1 January 2018	73,728	73,104,861	10,496,434	83,675,023
Charge for the year	924,480	4,983,611	-	5,908,091
Eliminated on disposal	-	(69,102,601)	(10,496,434)	(79,599,035)
At 31 December 2018	998,208	8,985,871	-	9,984,079
<b>Carrying amount</b>				
At 31 December 2018	7,735,632	13,457,125	-	21,192,757
At 31 December 2017	2,274,564	295,993,722	41,985,734	340,254,020

## Paysafe Holdings UK Limited

### Notes to the financial statements

For the year ended 31 December 2018

#### 10. Intangible assets (continued)

In December 2018, the Company disposed of certain intangible assets including intellectual property, platform development costs and computer software to another group company for consideration totalling €321,968,044. As part of this transaction, the Company was issued shares for consideration of the same amount in Skrill Holdings Limited, a subsidiary of the Company.

#### 11. Investments in Subsidiaries

Details of the Company's principal subsidiaries held at cost at 31 December 2018 are as follows:

	€
<b>Cost</b>	
At 1 January 2018	834,348,452
Additions	838,093,379
Impairment	(1,216,838,185)
	<hr/>
At 31 December 2018	455,603,646
	<hr/>
<b>Carrying amount</b>	
At 31 December 2018	455,063,646
	<hr/>
At 31 December 2017	834,348,452
	<hr/>

The movements in the year relate to the following transactions:

- On 1 June 2018, as part of the acquisition of iPayment Holdings Inc by Paysafe Holdings (US) Corp (a subsidiary of the Company), the Company subscribed for 94,292,623 ordinary shares in a subsidiary of the Company (Paysafe US Holdco Limited) for consideration of €107,867,892.
- On 26 April 2018 a series of transactions were completed in order to unwind intra-group debt and thus simplify the financing structure of the Paysafe Group (the "Unwind"). As part of the transaction, the Company increased its investment in Paysafe Processing Limited by €95,944,106 following the re-designation of 117,000,000 USD denominated preference shares, accounted for as receivables, into 117,000,000 USD denominated ordinary shares. The Company also increased its investment in Paysafe Finance (Ireland) Unlimited Company by €311,613,337 following the cancellation of 380,000,000 USD denominated preference shares. The total investment in Paysafe Finance (Ireland) Unlimited Company of €396,452,567 was then fully impaired as a result of the subsidiary's wind up.
- In December 2018, the Company disposed of certain intangible assets including intellectual property, platform development costs and computer software to another group company for consideration totalling €321,968,044. As part of this transaction, the Company was issued shares for consideration of the same amount in Skrill Holdings Limited, a subsidiary of the Company.
- In addition, the Paysafe Group has completed certain restructuring steps to simply the operating efficiency of the Group's legal entity structure. Following these steps, the Directors have reviewed the carrying values of investments in subsidiaries and have impaired the investments into Sentinel Topco Limited and Paysafe Processing Limited down to their recoverable amounts. The impairment charge recognised relating to this is €820,385,618.

## Paysafe Holdings UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 11. Investments in Subsidiaries (continued)

The parent Company and the Company have investments in the following subsidiary undertakings.

Name of subsidiary	Place of incorporation and Operation	Proportion of ownership interest	Type of shares	Principal activity
Paysafe Processing Limited	United Kingdom, 27 Canada Square, London, E14 5LQ	100%	Ordinary shares	UK based company involved in internet credit card processing.
Paysafe US Holdco Limited	25 Canada Square, Canary Wharf, E14 5LQ London, United Kingdom	100%	Ordinary shares	Holding company
Paysafe Finance (Ireland)	6th Floor, South Bank House, Barrow Street, Dublin 4	100%	Ordinary shares & Preference shares	Holding company
Paysafe Payment Solutions Ltd	Glandore Business Centres, Suite 101, Grand Canal House, 1 Grand Canal Street Upper, D04 Y7R5 Dublin 4, Ireland	100%	Ordinary shares	Authorized and regulated as an online money institution
Sentinel TopCo Limited	1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG	100%	Ordinary shares & Preference shares	Holding company

#### 12. Trade and other receivables

All amounts are falling due within one year:

	2018 €	2017 €
Interest receivable from group companies	-	1,361,829
Sales tax receivable	-	1,022,285
Other receivables	398,416	429,086
	<u>398,416</u>	<u>2,813,200</u>

#### 13. Trade and other payables

All amounts are falling due within one year:

	2018 €	2017 €
Accounts payable	5,483,810	6,868,007
Accrued liabilities	1,816,929	779,359
Payroll liabilities	673,913	1,247,096
Sales tax payable	221,997	-
Corporate tax	739,428	-
	<u>8,936,077</u>	<u>8,894,462</u>

# Paysafe Holdings UK Limited

## Notes to the financial statements For the year ended 31 December 2018

### 14. Share capital

	2018 €	2017 €
<b>Authorised:</b>		
2 ordinary shares of € 1 each	2	2
<b>Issued and fully paid:</b>		
2 ordinary shares of € 1 each	2	2

#### Ordinary shareholders

Holders of the ordinary shares are entitled to receive dividends and other distributions, to receive notice of, attend and vote at any general meeting, and to participate in all returns of capital on winding up or otherwise. One share carries one vote.

### 15. Related party transactions

During the year, the Company entered into the following transactions with related parties:

	Transaction Amount 2018 €	Balance outstanding 2018 €	Transaction Amount 2017 €	Balance outstanding 2017 €
Immediate parent company	(877,051,616)	(840,366,728)	6,184,333	36,684,888
Indirect parent company	241,757,128	(26,395,095)	(268,152,223)	(268,152,223)
Subsidiaries	22,513,446	(105,359,488)	(535,893,535)	(127,872,934)
Other group companies	247,392,217	(27,970,241)	(35,334,572)	(275,362,458)

All amounts between related parties are unsecured and repayable on demand other than those noted below.

On 20 December 2017, the Company received a EUR denominated loan from Pi UK Bidco Limited, an indirect parent company, used to fully repay the Company's external debt. The original principal amount was €265,524,000, which was partially settled via offset agreement in connection with the Unwind (see Note 5). The residual principal amount is €71,589,000, maturing on the earlier of 25 April 2026 and the receipt of a demand notice from the lender. The annual rate of interest is the aggregate of EURIBOR, plus 3.5%.

In August 2018 a series of transactions were completed in connection with the liquidation of Paysafe Finance Limited, a group company. As a result, the Company received a capital contribution in kind from Paysafe Group Limited, its parent company, totalling €235,813,960 and used to settle on a cashless basis a related party payable for the same amount.

In May 2018 and September 2018, the Company carried out a bonus issue of EUR denominated preference shares to Paysafe Group Limited for an amount of €646,000,000 and €230,000,000, respectively. For this purpose the Company reduced its share premium account by €500,800,237 to create distributable reserves. This was completed as part of a series of transactions to minimise the foreign exchange exposure Pi UK Bidco Limited has under its Euro denominated liabilities. The preference shares are interest free, redeemable 20 years after issuance and repayable on demand.



## Paysafe Holdings UK Limited

### Notes to the financial statements For the year ended 31 December 2018

#### 15. Related party transactions (continued)

All other loans noted below are amounts due from/to group companies:

Related Party	Currency	Interest Rate	Facility maturity date	Principal Outstanding at 31 December 2018	Payable/ Receivable
Paysafe Group Limited	USD	12%	31 May 2043	125,157,440	Payable
Paysafe Group Limited	USD	4% + 1-month LIBOR	23 April 2022	151,129,452	Receivable
Ecom Access Inc.	CAD	4% + 1-month CDOR	6 December 2022	5,725,131	Payable
Fans Entertainment Inc	CAD	4% + 1-month CAD LIBOR	26 June 2022	16,829,820	Receivable
MAC Limited	GBP	4.25%	28 June 2023	5,862,450	Receivable
PAYS Services UK Limited	GBP	4% + 1-month GBP LIBOR	14 November 2022	18,470,715	Payable
Paysafe Financial Services Limited	USD	4% + 1-month LIBOR	23 April 2022	56,636,683	Payable
Paysafe Holdings US Corp	USD	4% + 1-month USD LIBOR	30 September 2023	24,096,819	Receivable
Paysafe Prepaid Services Limited	EUR	4% + 1-month EURIBOR	11 December 2023	200,000	Receivable
Paysafe Technologies Inc	USD	4% + 1-month LIBOR	31 May 2022	43,296,726	Receivable
Paysafe Technology Services Austria GmbH	EUR	4% + 1-month EURIBOR	4 October 2022	850,000	Receivable
Paysafe US Holdco Ltd	EUR	7.5% + 12-month EURIBOR	18 December 2025	139,640,258	Receivable
Paysafecard.com Wertkarten GmbH	EUR	4% + 1-month EURIBOR	21 November 2022	10,500,000	Payable
Sabemul Beteiligungsverwaltungs GmbH	EUR	4% + 1-month EURIBOR	5 February 2022	61,730,018	Payable
Skrill Holdings Limited	EUR	4% + 1-month EURIBOR	12 April 2022	57,999,999	Payable
Skrill Limited	EUR	4% + 1-month EURIBOR	19 February 2022	136,175,322.50	Payable

## **Paysafe Holdings UK Limited**

### **Notes to the financial statements**

**For the year ended 31 December 2018**

#### **16. Controlling party**

The immediate parent company is Paysafe Group Limited, a company incorporated in Isle of Man. The ultimate parent company is Pi Jersey Topco Limited, a company incorporated in Jersey. There is no ultimate controlling party of the Company.

The smallest group to consolidate these financial statements is Paysafe Group Holdings II Limited. The largest group to consolidate these financial statements is Paysafe Group Holdings Limited. Copies of the consolidated financial statements of Paysafe Group Limited and Paysafe Group Holdings II Limited are available from their registered office at Floor 27, 25 Canada Square, London, England, E14 5LQ.

#### **17. Events after the balance sheet date**

As disclosed in the strategic report, the Company can meet its obligations only if the trading entities within the Paysafe Group continue to perform well operationally, as the Company is financed via loans. The Group currently operates significant elements of its business with European Economic Area ("EEA") customers under UK Financial Conduct Authority licenses, taking advantage of the passporting regime into the EEA. In the event of Brexit there is a risk that this passporting ability will cease and the Group will require alternative EEA licenses in order to continue its operations within the EEA.

Consequently, the Group has recently obtained licenses, and completed the necessary passporting notifications, from the Central Bank of Ireland (CBI) to enable the continuation of operations within ongoing EEA jurisdictions.