

Paysafe Holdings UK Limited

Annual report and financial statements

For the year ended 31 December 2017

Registered Number: 3202517

FRIDAY



L7FEWW82
28/09/2018 #213
L43
COMPANIES HOUSE

Paysafe Holdings UK Limited

<i>Contents</i>	<i>Page</i>
Officers and professional advisers	1
Strategic report	2 and 3
Directors' report	4 and 5
Report of the Independent Auditors	6 to 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes	12 to 24

Paysafe Holdings UK Limited

Officers and professional advisers

Directors

Elliott Wiseman
Paul Brooking (appointed 1 May 2018)
James Parsons (resigned 1 May 2018)

Registered office

Floor 27
25 Canada Square
London
England
E14 5LQ

Principal bank

Deutsche Bank
1 Great Winchester Street
London
United Kingdom
EC2N 2DB

Registered auditors

Deloitte LLP
London
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 2017.

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.

On 1 January 2017, the Company acquired certain technology and intellectual property from Paysafe Group Limited for a total consideration of €423,929,043, which was financed via a capital contribution from the parent company. 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 new activities generated revenue of €7,338,376 and resulted in a significant increase in administrative expenses, mainly due to intellectual property amortisation of €83,675,023.

In 2017 the Company also acted as Paysafe Group main funding entity, borrowing funds from external sources and on-lending them to other Paysafe Group entities. All outstanding external debt was fully repaid on 20 December 2017 in connection with Paysafe Group acquisition (see further details below).

Additionally, the Company purchased ordinary shares for USD 100,000,000 (€84,839,230) and preference shares for USD 380,000,000 (€322,389,073) in Paysafe Finance (Ireland) Unlimited Company (formerly Paysafe Finance (Ireland) Limited) in August 2017.

For purposes of financing the intellectual property acquisition and the investment in Paysafe Finance (Ireland) Unlimited Company, the Company reduced its share capital to 1 ordinary share of €1 by cancelling share capital of €583,101,892 and share premium of €45,691,605 and then issued 1 ordinary share of €1 for a total consideration of €500,800,238.

During the year there was a sub-group reorganization affecting the Company upon which the Company acquired all of the assets and liabilities of certain subsidiaries that acted as holding companies. As a result, investments amounting to €795,023,392 were transferred to the Company, which were fully written off as they were not recoverable.

Results and transfer to reserves

The Company made a loss of €552,453,088 (2016: profit €21,998,974).

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 (continued)

Disclosure of principal risk and uncertainty

Long-term debt

In 2016, the Company was an obligor under Paysafe Group's credit facility provided by BMO Capital Markets, Barclays Bank PLC and Deutsche Bank Luxembourg S.A., consisting of a €280,000,000 Term A and €220,000,000 Term B facility as well as an \$85,000,000 revolving facility.

The above facilities were repaid in full on 20 December 2017 upon the acquisition of the Group by Pi UK Bidco Limited due to a change in control clause. The Company repaid its debt through a loan received from Pi UK Bidco Limited on the same date as well as own funds.

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.

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.

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



Paul Brooking
Director

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 2017.

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 recommended the payment of a dividend of €33,000,000 (2016: €Nil).

Going concern

The Company had a net current liability position of €614,827,451 at 31 December 2017. The parent company, Paysafe Group Holdings 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 2017. As such the directors adopt the going concern basis in the preparation of these financial statements.

Post balance sheet events

Please refer to note 19 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 commercially transacting in Euros and 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 date, except as noted, were:

Elliott Wiseman
Paul Brooking (appointed 1 May 2018)
James Parsons (resigned 1 May 2018)

Paysafe Holdings UK Limited

Directors' report (continued)

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

Following a Paysafe Group Limited (formerly Paysafe Group Plc) wide audit tender process in 2016, Deloitte LLP was appointed as the Company's external auditor for the year ended 31 December 2017. It is the intention of the Company to keep Deloitte LLP as Company's external auditor for financial year 2018.

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 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 with FRS 101; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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

Paysafe Holdings UK Limited

Independent auditor's 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 2017 and of its loss 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 18.

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

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. This description forms part of our auditor's report.

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

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.



Alastair Morley (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
28 September 2018

Paysafe Holdings UK Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017	2016
		€	€
Turnover		7,338,376	
Gross profit		7,338,376	
Administrative expenses		(110,305,679)	(1,786,612)
Impairment loss on investments in subsidiaries		(795,023,392)	
Dividend income		383,155,190	
Operating loss	5	(514,835,505)	(1,786,612)
Finance costs	7	(46,907,406)	(30,757,173)
Finance income	7	6,470,640	54,542,759
(Loss)/profit on ordinary activities before taxation		(555,272,271)	21,998,974
Corporation tax	8	2,819,183	
(Loss)/ Profit for the financial year after taxation		(552,453,088)	21,998,974
Other comprehensive income			
Total comprehensive (loss)/income		(552,453,088)	21,998,974

The Directors consider the Company's activities to be continuing.

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

Paysafe Holdings UK Limited

Statement of Financial Position

as at 31 December 2017

	Note	2017 €	2016 €
Non-current assets			
Intangible Assets	10	340,254,020	-
Property, plant and equipment	9	199,782	-
Deferred tax asset	8	2,819,183	-
Investments in subsidiaries	17	834,348,452	730,199,802
Total non-current assets		1,177,621,437	730,199,802
Current assets			
Amounts receivable from parent companies	11	38,147,128	30,500,555
Amounts receivable from group companies	11	592,412,872	522,395,095
Trade and other receivables	12	2,813,200	60,114,678
Prepaid expenses and other		7,098,488	11,239
Cash and cash equivalents		18,858,052	42,177
Total current assets		659,329,740	613,063,744
Total assets		1,836,951,177	1,343,263,546
Current liabilities			
Current portion of long-term debt	15	-	20,810,077
Amounts owed to parent companies	11	269,614,464	-
Amounts owed to group companies	11	995,648,265	354,402,380
Trade and other payables	13	8,894,462	4,081,620
Derivative financial liability	16	-	1,583,309
Total current liabilities		1,274,157,191	380,877,386
Net current liabilities		(614,827,451)	232,186,358
Total assets less current liabilities		562,793,986	962,386,160
Non-current Liabilities			
Long-term debt	15	-	314,956,525
Total non-current liabilities		-	314,956,525
Total liabilities		1,274,157,191	695,833,911
Net assets		562,793,986	647,429,635
Equity			
Share capital	14	2	583,101,893
Share premium	14	500,800,237	45,691,605
Capital contribution reserve	14	17,201	-
Retained earnings		61,976,546	18,636,137
Total equity		562,793,986	647,429,635

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

These financial statements were approved by the Board of Directors on 28/9/18 and were signed on their behalf by:


Paul Brooking
 Director

Company Registration No. 3202517 (England and Wales)

Paysafe Holdings UK Limited

Statement of Changes in Equity for the year ended 31 December 2017

	Note	Share Capital €	Share Premium €	Capital Contribution Reserve €	Retained Earnings/ (Deficit) €	Total €
At 1 January 2016		583,101,893	45,691,605	-	(3,362,837)	625,430,661
Total comprehensive income					21,998,974	21,998,974
At 31 December 2016		583,101,893	45,691,605	-	18,636,137	647,429,635
At 1 January 2017		583,101,893	45,691,605	-	18,636,137	647,429,635
Total comprehensive income					(552,453,088)	(552,453,088)
Capital reduction	13	(583,101,892)	(45,691,605)	-	628,793,497	
Share issuance	13	1	500,800,237	-	-	500,800,238
Dividend distribution (equivalent to €16,500,000 per share)					(33,000,000)	(33,000,000)
Capital contribution from parent company				17,201	-	17,201
At 31 December 2017		2	500,800,237	17,201	61,976,546	562,793,986

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

Paysafe Holdings UK Limited

Notes

(forming part of the financial statements for the year ended 31 December 2017)

1 General information

Paysafe Holdings UK Limited (the "Company") is a private company limited by shares, formerly called Netinvest Limited, incorporated under the laws of England and Wales on 22 of May 1996. The principal activities of the Company are described in Note 2. As at 31 December 2017, the Company had 15 employees (2016: 1).

2 Nature of operations

The Company's principal activity during the year 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.

3 Basis of preparation

Statement of compliance

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

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

Where relevant, equivalent disclosures have been given in the group accounts of Paysafe Group Limited for the year ended 31 December 2017.

Basis of measurement

The financial statements are prepared under the historical cost convention except for the derivative financial liability, which is measured at fair value.

Statement of 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 the foreseeable future. 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 €614,827,451 at 31 December 2017. The parent company, Paysafe Group Holdings 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.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

3 Basis of preparation (continued)

Use of estimates and judgements

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. Significant estimates in the Company's financial statements include income taxes. 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. No significant judgements in accounting policies have been made.

Functional and presentation currency

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

4 Significant accounting policies

Transition to FRS 101

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 December 2017 the Company has undergone transition from reporting under IFRSs as adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. The date of transition to FRS 101 for the Company is 1 January 2017. This transition is not considered to have had material effect on the financial statements. The Company has taken advantage of the disclosure exemptions under FRS 101 detailed in Note 3 for all periods presented.

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are initially recognised at their fair value. Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are initially recognised at their fair value. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

4 Significant accounting policies (continued)

Long-term debt

Long-term debt is initially recognised at fair value net of financing fees incurred which are comprised primarily of legal, accounting and other costs directly attributable to the issuance of the long-term debt. Subsequent to initial recognition, this liability is measured at amortised cost using the effective interest rate method.

Intangible assets

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

Computer software	2 years straight-line
Platform development	20% declining balance
Intellectual property	5 years straight-line

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.

Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses.

Depreciation is charged to the Statement of Comprehensive Income over the assets estimated useful life as follows:

Computer equipment	20% declining balance
--------------------	-----------------------

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Comprehensive Income to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment of tax payable in respect of previous years.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

4 Significant accounting policies (continued)

Income tax (continued)

The Company uses the balance sheet liability method of accounting for income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the Statement of Financial Position are used to calculate deferred tax assets or liabilities. Deferred tax assets or liabilities are calculated using tax rates anticipated to exist in the periods that the temporary differences are expected to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign Exchange

The financial statements of the Company are prepared in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the Statement of Financial Position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Related party transactions

Monetary related party transactions in the normal course of operations are recorded at fair value, and transactions between related parties not in the normal course of operations are either recorded at the carrying value as recorded by the transferor or at fair value.

Foreign exchange contracts

The Company uses foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates. These financial instruments are presented in the accompanying financial statements at fair value. Fair values are based on market quotes, current foreign exchange rates or management estimates, as appropriate, and gains and losses on the foreign exchange contracts are reflected in the profit or loss.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

4 Significant accounting policies (continued)

Offsetting

Financial assets and liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Recognition of dividend income and interest income

Dividend income is recognised when the right to receive payment is established.

Interest income is earned on loans granted to other Paysafe Group entities and is accrued on a monthly basis, by reference to the principal outstanding and at the effective interest rate applicable.

Consolidated financial statements

The Company has taken advantage of the exemption in IFRS 10 'Consolidated Financial Statements' not to prepare consolidated financial statements as the Company itself is consolidated in the group accounts of Paysafe Group Limited, which produces financial statements that comply with International Financial Reporting Standards as adopted by EU. These group accounts are available to the public and can be obtained as set out in note 15.

Application of new and revised accounting policies

In the current year, the Company has applied amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2017. The application of these amendments has had no material impact on the disclosures in the Company's financial statements.

- Amendment to IFRS 12 – Clarification of the scope of the Standard
- Annual Improvements 2014-2016 Cycle, including amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses.

5 Operating loss

Operating result is stated after charging/(crediting):

	2017	2016
	€	€
Amortisation	83,675,023	-
Depreciation	21,089	-
Impairment loss on investments in subsidiaries	795,023,392	-
Dividend income	(383,155,190)	-
	<u> </u>	<u> </u>

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

5 Operating loss (continued)

During the year there was a sub-group reorganization of which the Company was part. As a result, the Company acquired all of the assets and liabilities of certain subsidiaries that acted as holding companies, received a dividend income of €383,155,190, and investments amounting to €795,023,392 were transferred to the Company, which were fully written off as they were not recoverable.

On 1 January 2017, the Company acquired certain technology and intellectual property from Paysafe Group Limited, which was transferred at its fair value of €423,929,043. As a result, amortisation of €83,675,023 was recognised in 2017.

Auditors' remuneration of €20,000 (2016: €5,000) is borne by the parent company, who will not seek to reimburse the remuneration in the future. There were no non-audit services.

6 Information regarding employees

	2017 €	2016 €
Wages and salaries	2,123,986	
Social security costs	217,303	
Pension costs (Note 19)	52,248	
Share based payments (Note 20)	17,201	
	<u>2,410,738</u>	
The average number of persons employed was:		
Administration and management and other	15	1

7 Finance income and costs

	2017 €	2016 €
Interest income on loans to group companies	6,470,640	54,542,759
Finance income	<u>6,470,640</u>	<u>54,542,759</u>
Interest expense on loans from group companies	(20,683,381)	(11,151,789)
Interest on long-term debt	(10,743,481)	(12,068,341)
Amortisation of financing fees	(15,031,832)	(4,801,065)
Other finance costs	(448,712)	(2,735,978)
Finance costs	<u>(46,907,406)</u>	<u>(30,757,173)</u>

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

8 Taxation

(a) The tax on the profit on ordinary activities for the year was as follows:

	2017 €	2016 €
Current tax	-	-
Deferred tax	(2,819,183)	-
Tax credit per income statement	(2,819,183)	-

(b) Reconciliation of effective tax rate

UK corporation tax has been charged at 19.25% (2016: 20.00%). Deferred tax is calculated on the basis of the 17% tax rate effective from 1 April 2020, rate reduction that was enacted on 18 November 2015.

Reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017 €	2016 €
(Loss)/ profit on ordinary activities before tax	(555,272,271)	21,998,974
(Loss)/ profit on ordinary activities multiplied by the effective rate of corporation tax in the UK of 19.25% (2016: 20%)	(106,889,912)	4,399,795
<i>Effects of:</i>		
Group relief not paid for	24,786,101	534,897
UK dividend income	(73,757,374)	(4,934,692)
Impairment on investments	153,042,003	-
Tax credit	(2,819,183)	-

(c) Deferred tax

The table below shows the movement on deferred tax assets recognised during the year.

	2017 €	2016 €
Deferred tax assets at 1 January	-	-
Recognised in profit and loss	2,819,183	-
Deferred tax assets at 31 December	2,819,183	-

Deferred tax assets arose from carry forward tax losses.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

9 Property, plant and equipment

	Computer Equipment €	Total €
Cost		
At 1 January 2017		
Additions	220,871	220,871
At 31 December 2017	220,871	220,871
Accumulated Depreciation		
At 1 January 2017		
Charge for the year	21,089	21,089
At 31 December 2017	21,089	21,089
Net book value		
At 31 December 2017	199,782	199,782
At 31 December 2016		

10 Intangible Assets

	Computer Software €	Platform development €	Intellectual Property €	Total €
Cost				
At 1 January 2017				
Additions	2,348,292	369,098,583	52,482,168	423,929,043
At 31 December 2017	2,348,292	369,098,583	52,482,168	423,929,043
Accumulated Amortisation				
At 1 January 2017				
Charge for the year	73,728	73,104,861	10,496,434	83,675,023
At 31 December 2017	73,728	73,104,861	10,496,434	83,675,023
Net book value				
At 31 December 2017	2,274,564	295,993,722	41,985,734	340,254,020
At 31 December 2016				

On 1 January 2017, the Company acquired certain technology and intellectual property from Paysafe Group Limited for a total consideration of EUR 423,929,043, which was transferred at fair value.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

11 Related party transactions

	Balance outstanding		Transaction Amount	
	2017	2016	2017	2016
	€	€	€	€
Immediate parent company	36,684,888	30,500,555	6,184,333	(21,227,435)
Indirect parent company	(268,152,223)	-	(268,152,223)	-
Subsidiaries	(127,872,934)	408,020,601	(535,893,535)	(25,934,580)
Other group companies	(275,362,458)	(240,027,886)	(35,334,572)	9,950,198

All amounts between related parties are unsecured and repayable on demand.

The directors did not receive any emoluments in respect of services to this Company in the years ended 31 December 2017 and 2016.

12 Trade and other receivables

	2017	2016
	€	€
Interest receivable from group companies	1,361,829	40,076,623
Dividend receivable from group companies	-	19,905,783
VAT receivable	1,022,285	-
Other receivables	429,086	132,272
	<u>2,813,200</u>	<u>60,114,678</u>

13 Trade and other payables

	2017	2016
	€	€
Accounts payable	6,868,007	-
Accrued liabilities	779,359	162,203
Payroll liabilities	1,247,096	-
Interest payable on long-term debt	-	3,919,417
	<u>8,894,462</u>	<u>4,081,620</u>

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

14 Share capital

	2017	2016
	No.	No.
Authorised, issued and fully paid share capital (of £1 each)	-	53,061,663
Authorised, issued and fully paid share capital (of €1 each)	2	515,289,088
	€	€
Issued and fully paid ordinary shares at £1 each	-	67,812,805
Issued and fully paid ordinary shares at €1 each	2	515,289,088
Share capital	2	583,101,893
Share premium	500,800,237	45,691,605

The share capital of the Company is comprised of ordinary shares. The holders of all ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

In June 2017, the Company reduced its share capital to 1 ordinary share of €1 by cancelling share capital of €583,101,892 and share premium of €45,691,605. In August 2017, the Company issued 1 ordinary share of €1 for a total consideration of €500,800,238 in connection with the purchase of intangible assets from its parent company Paysafe Group Limited.

15 Long-term debt

The Company had the following balances:

	2017	2016
	€	€
Term A facility	-	178,919,089
Term B facility	-	156,847,513
Total long-term debt	-	335,766,602
Current portion of long-term debt	-	20,810,077
Non-current portion of long-term debt	-	314,956,525

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

15 Long-term debt (continued)

Paysafe Group's credit facility provided by BMO Capital Markets, Barclays Bank PLC and Deutsche Bank Luxembourg S.A. consisted of a €280,000,000 Term A ("TLA") and a €220,000,000 Term B facility ("TLB"). The Company drew down amounts of €208,100,766 and €163,507,744 from the Term A and Term B facilities respectively, on 10 August 2015, less financing fees of €11,931,000 and €9,492,000 respectively, to fund the Skrill acquisition. The remaining balances under the Group's Term A and Term B facilities were drawn down by another Group company.

The Group also had an USD 85,000,000 revolving credit facility ("RCF") available up until the repayment of debt on 20 December 2017 (see below). No amounts had been drawn down on the RCF since it was made available but had utilised part of the facility to issue letters of guarantee in relation to various performance bonds drawn from the RCF.

The Term A facility bore interest at a EURIBOR rate plus a margin varying from 2.75% to 3%, and was repayable in bi-annual instalment starting in February 2016 up to the maturity date of 10 August 2020. The Term B facility bore interest at a EURIBOR rate plus a margin varying from 3.75% to 4%, and was repayable at the discretion of the Group before the maturity date of 10 August 2022. The revolving facility was interest bearing at a LIBOR rate plus a margin varying from 1.75% to 2.75% and had no specified terms of repayment. An arrangement fee of \$1,488,000 was paid for the revolving facility and a ticking fee of 35% of the applicable margin is applied to the unutilised revolver amount on an ongoing basis.

The credit facility was secured by virtually all of the assets of the Group, with the exception of restricted cash. The security included share pledges and guarantees from certain subsidiaries within the Group. The Company was a guarantor in respect of the Term A and Term B facilities as well as the revolving credit facility. During 2017, the Company became a guarantor in respect of a USD 380,000,000 Incremental Loan Facility that Paysafe Group drew under the existing credit facility.

The above facilities were repaid on 20 December 2017 upon the acquisition of the Group by Pi UK Bidco Limited due to a change in control clause. The Company repaid its debt through a loan received from Pi UK Bidco Limited on the same date as well as own funds.

16 Derivative financial liability

In the prior year, the Company held an interest rate swap, which was measured at fair value at the end of the reporting period. The interest rate swap is classified as a level 2 fair value measurement, with the future cash flows estimated based on forward interest rates and contract interest rates. This instrument was settled upon the repayment of the credit facilities in December 2017.

At 31 December 2017, the Company held no derivative financial instruments.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

17 Investments in subsidiaries

Details of the Company's principal subsidiaries held at cost as at 31 December 2017 and 2016 are as follows:

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
Sentinel TopCo Limited	1 Waverley Place, Union Street, St Helier, Jersey JE1 1SG	100%	Ordinary shares & Preference shares	Jersey based company involved in online payment
Paysafe Finance (Ireland) Unlimited Company	6 th Floor, South Bank House, Barrow Street, Dublin 4	100%	Ordinary shares & Preference shares	Ireland based company that acts as a finance company for the Paysafe Group

The Company purchased ordinary shares for USD 100,000,000 (€ 84,839,230) and preference shares for USD 380,000,000 (€ 322,389,073) in Paysafe Finance (Ireland) Unlimited Company (formerly Paysafe Finance (Ireland) Limited) on 23 August 2017.

18 Parent company and ultimate 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 parent undertaking of the smallest and largest group, which includes the Company and for which Group financial statements are prepared, is Paysafe Group Limited. Copies of the consolidated financial statements of that company are available from its registered office 3rd Floor, Queen Victoria House, 41-43 Victoria Street, Douglas, Isle of Man, IM1 2LF.

19 Pensions

The Company operates a defined contribution pension scheme. Contributions during the year amounted to €52,248 (2016: €Nil). At the year end, amounts due to the pension fund of €Nil (2016: €Nil) are included within accruals.

Paysafe Holdings UK Limited

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2017)

20 Share based payments

Paysafe Group Limited had granted to some employees of the Company options the Long Term Incentive Plan ("LTIP") to subscribe for ordinary shares of Paysafe Group Limited.

LTIP options vest in one tranche based on future performance related to EPS and Total Shareholder Return ("TSR") targets determined each year and subject to continued employment over the remaining vesting period. No consideration is payable on the grant of an LTIP option. Options may generally be exercised to the extent that they have vested. Options vest according to the relevant schedule over the grant period following the date of grant. The exercise price is determined by the Board of Directors. Subject to the discretion of the Board share options are forfeited if the employee leaves the Group before the options vest.

On 20 December 2017, all share options outstanding at that date were either equity or cash settled in connection with the acquisition of Paysafe Group Limited by Pi UK Bidco Limited, pursuant to a change of control provision in the plans terms. The weighted average share price of LTIP options exercised in the year based on the date of exercise was £5.10 (2016: £4.35).

For the year ended 31 December 2017, the Company recognised total expense of €17,201 (2016: €Nil) related to share-based payment transactions, with a corresponding entry recognised in the Capital Contribution Reserve in equity.

21 Post Balance Sheet events

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. As a result, several loans between the Company and other Group companies were settled on this date, including loan receivables of €316,561,146 and loan payables of €505,482,730 outstanding at 31 December 2017. Additionally, the Company recognized a dividend income of €485,009,758 and an impairment loss on investments existing at year-end of €84,839,230. Total impact on net current liabilities was a decrease of €77,452,315.