

**Company registration number: 4260907 (England and Wales)**



**Skrill Limited**

**ANNUAL FINANCIAL STATEMENTS**  
**31 December 2018**

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**Skrill Limited**

**General information**

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**Board of Directors**

E Wiseman  
L Pellegrino  
M Jeffrey  
D Chazonoff  
M F Ansari  
M Bojilov

**Registered office**

25 Canada Square  
London  
E14 5LQ

**Registered number**

4260907 (England and Wales)

**Auditor**

Deloitte LLP  
Four Brindleyplace  
Birmingham  
B1 2HZ

The directors present their Strategic report on Skrill Limited ("the Company" or "Skrill") for the year ended 31 December 2018.

## **REVIEW OF THE BUSINESS**

The principal activity of the Company in the year under review was that of electronic money and transfer services.

The Company is one of Europe's leading digital money companies, operating one of the world's largest independent e-wallet platforms on the Internet. It has been authorised and regulated by the Financial Conduct Authority ("FCA"), to operate as an e-money issuer since 2003. This simple e-wallet enables any customer to make online payments conveniently and securely without revealing personal financial data, and to send and receive money transfers cost-effectively. Skrill's worldwide payment platform processes internet payments through a network of many banks with which the Company has a business relationship, offering over 100 payment options in more than 200 countries and territories, across 40 currencies and 12 languages. Today, more than 161,000 merchants use Skrill.

During the year, our end users increased by 10% to 51.8m and merchant base by 0.4% to 161,800. The key driver of the growth in the number of end-users has largely been the increase in merchants using the Skrill service, thereby registering end-users when transacting through the e-wallet or Direct Payment Gateway. Merchant numbers have grown through direct sales approaches, via channel partners and through referrals, all based on the reputation built over the years, the critical mass of end users brought to merchants and the USPs delivered. The company has also been able to drive incremental volume with existing merchants, a function of upselling of new payment options, delivering new geographies and products.

The focus of the business remains to achieve the right balance between continuing to meet the needs and expectations of our customers, shareholders and other stakeholders while making sufficient profit to support our growth plans, by controlling our costs and managing our cash efficiently. The directors continue to invest in the business, in line with our strategic objectives.

Skrill Limited's full year results show continued growth. Skrill has delivered revenue growth in the business driven predominantly by increases in the number of end-customers and merchants delivering increased number of transactions executed. The growth in total income has been driven by merchant and end user fees.

The Company's profit for the financial year is €27,122,000 (2017: €128,630,000). During the year dividends of €257,500,000 were distributed (2017: Nil). Revenues for the period increased by €7,423,000 or 3% driven by an increase in the number of end users and transaction volumes, despite challenging market and regulatory conditions. Gross profit margin decreased slightly from 86.1% in 2017 to 84.5% in 2018 as a result of growth in initiatives which are at a lower margin than the existing business. Administrative expenses increased significantly by €108,963,000 as a result of the transfer of Intellectual Property (IP) rights from Paysafe Holding UK Limited (a related party) on 1 January 2018. During 2018 amortization of the IP amounted to €81,122,000 (2017: Null).

On 20 December 2018, the Company allotted 1,000 ordinary shares of £1 each for cash at €1.1086 per share. The shares were subscribed by the sole owners of the Company, Skrill Holdings Limited and the amount payable on application for the shares was satisfied by the release of Company's debt to Skrill Holdings Limited in the amount of €321,968,044. The debt originates from the assignment of intellectual property rights (note 8). The Company recognized share premium of €321,967,000 as a result of the transaction.

## **KEY PERFORMANCE INDICATORS (KPIs)**

The board reviews and approves the annual budget. In addition to reviewing performance against budget on a monthly basis, the board has established a number of KPIs as indicated below. The Company relies on different KPIs at an operational level which are specific to the business. Such KPIs are used by management to monitor performance on a regular basis and are reported to the Group's investors.

## KEY PERFORMANCE INDICATORS (KPIs) (continued)

Key KPI's the Company uses are as follows:

|                     | 2018<br>€'000 | 2017<br>€'000 | 2016<br>€'000 |
|---------------------|---------------|---------------|---------------|
| Turnover            | 224,468       | 217,045       | 142,015       |
| Gross Profit        | 189,726       | 186,821       | 103,604       |
| Gross Profit Margin | 85%           | 86%           | 73%           |

The turnover for 2018 noted above includes an amount of €4,773,000 (2017: €5,115,000) relating to interest income derived from the investment of funds generated from e-money float and €56,351,000 (2017: €47,750,000) relating to distribution fees charged to related parties for using intellectual property operated and maintained by Skrill Limited.

|                                 | 2018  | %<br>Change | 2017  | %<br>Change | 2016  |
|---------------------------------|-------|-------------|-------|-------------|-------|
| <b>Merchants</b>                |       |             |       |             |       |
| Number of merchants (thousands) | 161.8 | 0.4         | 161.2 | 0.6         | 160.2 |
| <b>End-users</b>                |       |             |       |             |       |
| Number of end-users (millions)  | 51.8  | 10          | 47.1  | 8.5         | 43.4  |

Definitions of each of the KPIs are provided below.

• *Number of merchants*

The number of merchants is a count of merchants registered with the Company whereby the customer has been deemed to be a merchant and has completed the appropriate validation checks by the date of the relevant period end. Where a merchant has more than one account for a given merchant identity, the merchant is counted as per the number of accounts held. Once opened, an account is never closed (unless requested by a merchant).

• *Number of end-users*

The number of end-users is a cumulative count of all end-users that have ever registered with the Company as at the date of the relevant period end.

The financial statements are presented in thousand Euros. All transactions are converted into Euros at the time of recording the transaction. The most significant currencies, other than Euros, in use are the US Dollar and the British Pound.

## DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

### *Regulatory*

The Company, being a regulated firm in the UK accepting customers from a large number of countries, always faces some uncertainty with regards to the regulatory requirements of those countries as well as the UK's regulatory environment. It also has to comply with applicable money laundering legislation as outlined below. The Company holds large amounts of funds on behalf of its customers and will have to ensure it keeps its high standards of internal checks and balances as well as IT and customer account security. As part of its legal and regulatory compliance the Company faces the challenge of reacting to and implementing legal and regulatory changes quickly. As part of our risk management approach, the directors continue to monitor regulatory developments in current markets, using external experts where appropriate, and take appropriate measures should the risks in any particular market change significantly. The Company continues to assess the legal and regulatory requirements of jurisdictions in which it operates. The Directors are very careful to operate within the legal and regulatory framework that governs our trade/ sector.

## **DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

### *The European Union*

Under current EU law, the second Electronic Money Directive (Directive 2009/110/EC) requires electronic money issuers in Europe to obtain authorisation from the relevant financial services authority in their home Member State which is responsible for regulating issuers of electronic money. The Company is currently authorised in the UK by the FCA under the Electronic Money Regulations for the issuing of Electronic money and has been successfully re-authorised under the 2<sup>nd</sup> Payment Services Directive (Directive 2015/2366 EC). The Company also exercises its rights under the Electronic Money Regulations to passport its authorisation to provide services to all other Member States having previously followed a formal notification procedure

### *Money laundering regulations*

The Company operates in an industry subject to money laundering regulations. These regulations prohibit, amongst other things, the Company's involvement in transferring the proceeds of criminal activities. Regulations require companies to keep records of identity and to train their staff in the requirements of the relevant money laundering regulations. If the Company were to violate such laws or regulations governing electronic money issuers, this could result in a requirement for remediation, fines, other forms of liability and/or force the Company to change business practices or to cease operations altogether. The Directors believe the Company has appropriate processes in place to comply with money laundering laws and regulations as they stand today and will be able to put in place appropriate procedures to manage changes made to those laws and regulations in the future.

### *Fraud risk*

The Company is vulnerable to the conventional financial threats faced by all payments businesses. Management is aware of the importance of having robust "Know your client" procedures and on-going monitoring of suspicious transactions in place. Fraud risk is mitigated by a dedicated anti-fraud /anti-money laundering department utilising highly skilled fraud managers and fraud detection technologies that are both developed in-house and outsourced where considered appropriate.

### *Brexit*

Following the result of the UK referendum on membership of the EU and the developments thereafter, the UK is likely to leave the EU in 2019. The Company relies on the ability to passport its FCA licence through Europe and the UK leaving the EU might impact those passporting rights. The Paysafe Group, of which the Company is part, has evaluated a number of European jurisdictions in which to obtain an additional e-money licence so that the Skrill service can continue to be offered through Europe after the UK leaves the EU and the Paysafe Group plans to have appropriate additional licensing in place well in advance of any potential change to passporting rights. If the change to passporting rights is implemented, the Company's customers using the Skrill service in the EU, other than in the UK, may need to be transferred to the newly licensed Paysafe Group entity. The Directors continue to monitor developments and will respond accordingly.

### *Breach of data privacy compliance*

Following the implementation of the General Data Protection Regulations ("GDPR") in May 2018 the Company has undertaken a root and branch review of its activities and continues to work towards ensuring the level of compliance with data privacy rules is robust. This work includes but is not limited to: Maintaining an Article 30 Record of Processing Activity; appointing a Data Protection Officer; ensuring we comply with marketing privacy requirements; providing clear and factual notices to customers and employees; undertaking due diligence of data controls in place at third-party providers (particularly data processors); and having processes to manage cross-border data transfers. Paysafe Group, of which the Company is part of, has approved centralised embedded data privacy standards at the Group level, and is currently embedding a data retention policy across the Group. Enhanced e-training on data privacy and security requirements has been implemented across the wider Paysafe group and we are working to embed a Privacy by Design approach to new and existing product development

## **DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

### *Bank concentration risk*

Segregated funds are deposited with various banking institutions. The exposure to counterparties is limited to 20% in any one institution with a credit rating of A or above, and to 15% in any one institution with a credit rating below A (as measured by recognised credit rating agencies such as Moody's, Fitch and Standard and Poor's). No funds can be deposited with institutions rated below investment grade. An extended exposure of up to 20% with below-A institutions can be tolerated if the institution can provide evidence of key metrics the FCA monitors, and if approved by the Investment Committee. The total amount of cash, cash equivalents or investment securities held in a single country outside of the United Kingdom shall not exceed more than 35% of the total cash, cash equivalents or investment of the company, for countries that have a credit rating of AA- or above. For countries with a credit rating below AA- a maximum of 15% can be held. The Investment Committee must pre-approve, and the Board must be notified of, any investments that are held in countries which are rated below investment grade. Should risk assessment data indicate deterioration in the credit worthiness etc., funds would be moved to other institutions.

### *The facilities which house the Company's servers and data storage could be vulnerable*

The availability of the Company's products and services depends on the continuing operation of its information technology and communications systems. The systems may be subject to damage or interruption from floods, fires, power loss, telecommunications failures, computer viruses, terrorist attacks, computer denial of service attacks, or other attempts to harm the systems. The data centres could also be subject to break-ins, sabotage and intentional acts of vandalism and to potential disruptions if the operators of these facilities have financial difficulties. The Group's disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, the closure of a facility or other unanticipated problems at the data centres could result in lengthy interruptions in service. To mitigate against the above risks, the Group has two separate server locations with complete component redundancy built into the infrastructure at each data centre. Transaction data is replicated at regular intervals to standby databases at the two sites. The current failover configuration enables the payment platform to be switched over from the primary data centre to the disaster recovery facility. Production data is also saved to encrypted backup media in the disaster recovery data centre as an additional contingency measure.

### *Fluctuations in currency exchange rates*

Although the Company's reporting currency is the Euro, a significant proportion of the Company's revenue and costs are generated in non-Euro denominated currencies. The Company currently conducts transactions in 40 currencies and holds liquid assets, including its e-money float, in multiple currencies, primarily Euros, US Dollars and Pounds Sterling. This exposes the Company to risks arising from fluctuations in foreign currency exchange rates. The Company reviews on a daily basis any unmatched currency exposures and the compliance with regulatory foreign exchange exposure limits and subsequently informs the Investment Committee on a regular basis.

### *Transactional risks*

The Company is generally able to use local funds uploaded by account holders to cover withdrawals in the same currency. If the Company has insufficient funds to cover withdrawals in the local currency, it must purchase the necessary amount of the relevant currency to settle the transaction. Such purchases may be at an exchange rate more or less favourable, and any such foreign currency gains or losses impact the Company's profit and loss account. Any substantial changes in foreign currency exchange rates requiring the Company to purchase a large quantity of currency at a rate less favourable than that set by the Company could have an adverse effect on the Company's results of operations, financial condition and future prospects. The Company is also exposed to exchange rate fluctuations in connection with credit card and bank-based payments and money uploads where the payment or upload currency differs from the currency of credit.

The revenue which the Company derives from foreign currency transactions may vary depending on the geographic locations of its customers from time to time, because customers may become more sensitive to the price charged for foreign currency transactions and require that the Company reduces the fee charged which would reduce the revenue which the Company derives from foreign currency transactions. In the event that additional countries join the Euro zone, the number of foreign currency transactions required to be undertaken by the Company may decrease, and the resulting gains and/or losses may diminish. More sophisticated treasury management by the Company's merchant customers may result in such customers reducing the amounts they deposit with the Company, or the time during which such amounts are deposited, resulting in a reduction in the financial revenue capable of being generated by the Company. The Directors' Report outlines the financial risk management policies in place for the Company.

**DISCLOSURES OF PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

*Translational risk*

In preparing its financial statements, the Company converts into Euros its non-Euro denominated assets and liabilities, which principally comprise the Company's non-Euro denominated e-money float, as well as additional liquid funds and investments held by the Company in non-Euro currencies pursuant to its capital requirements in accordance with the Electronic Money Regulations. These non-Euro assets and liabilities of the Company are denominated in US Dollars, Pounds Sterling and other currencies. The Company's exposure to this translational currency risk impacts its results of operations (recorded under "administrative expenses" in the Statement of Comprehensive Income), financial position and cash flows.

*Economic downturn*

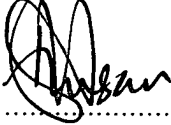
The Company is competing for a share of the disposable income of its target customers so revenue could be vulnerable to the impact of any economic downturn.

**STRATEGIC FOCUS AND FUTURE PROSPECTS**

The board remains committed to the Company's existing strategy and vision and believe that the objectives currently being pursued will lead to improvements in the business performance and results over the medium term. For the time being our focus is clearly on maximising the operational potential of the business and looking for complementary opportunities that will add value to our product. Excellence in customer experience has been and remains a key point of focus across verticals and all payment products. We intend to create value for consumers we attract. Innovation remains a key growth and profitability driver. A higher pace of innovation, based on customer and consumer insight, will improve the Company's competitiveness, further strengthening and differentiating its customer offering.

The Company continues to make significant investments to broaden the functionality offered on its platform and regularly introduces new product features as part of its strategy to enter into adjacent markets using its e-wallet technology and payments network. The external commercial environment is expected to remain competitive in 2019. However, we believe that the Company is well positioned to grow from its current market share and improve its profitability in the future.

ON BEHALF OF THE BOARD:



.....  
Fayyaz Ansari

**Director**

25 April 2019



The Directors present their report with the audited financial statements of Skrill Limited for the year ended 31 December 2018.

#### **GOING CONCERN**

The financial statements of the Company have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report. The directors have reviewed and examined the financial forecasts of the business and the level of liquidity underpinning the financial position. On this basis the directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of signing the financial statements, is appropriate.

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

Paysafe Group (of which the Company is part) continues to support various charitable endeavours that support local communities. Furthermore, the Group is committed to protecting the environment for future generations by putting a number of practices in place to minimise carbon emissions, including saving energy, recycling office waste and adopting paperless work practices.

#### **FINANCIAL INSTRUMENTS**

The Company's financial instruments at the balance sheet date comprised cash and liquid resources, including deposits with credit institutions. The main purpose of these financial instruments is to:

- i) meet the Company's regulatory capital requirements;
- ii) provide adequate cover for the Company's e-money float and other liabilities in line with applicable FCA rules and regulations on asset-liability management;
- iii) provide the Company's working capital; and
- iv) generate interest income.

#### **FINANCIAL RISK MANAGEMENT**

The Company's operations expose it to a number of financial risks that include mainly the effect of changes in interest rate risk, liquidity risk and foreign currency risk:

##### *Interest rate risk*

The Company has policies and procedures that set out the specific guidelines that must be followed to manage the interest rate risk. The Company manages any exposure to interest rate fluctuations by predominantly investing funds in financial instruments with short-term maturities in line with applicable FCA rules and regulations.

##### *Liquidity risk*

The Company had significant net cash balances as at the balance sheet date. Liquidity risk is monitored on a daily basis and is kept within the FCA requirements for e-money issuers. Management closely monitors the cash position of the Company on a continuous basis to ensure sufficient liquidity exists for business needs. Liquidity risk is mitigated due to positive cash flows from operating activities and cash balances held. The Company balances the flexible use of funding by way of loans to / from group companies.

##### *Foreign currency risk*

The Company has financial instruments which are denominated mainly in Euros, US Dollars and British Pounds. In total the Company transacts in 40 currencies. The gains and losses arising from the Company's exposure to risk arising from its foreign currency transactions are recognised in the profit and loss account. Foreign currency risk is monitored on a daily basis, sufficient foreign currency positions are held to match customer deposits thereby limiting any adverse foreign currency movements.

#### **POST BALANCE SHEET EVENTS**

Following Brexit, if the Company loses the right to passport its license across the EEA, the EEA business and associated assets with it may be transferred to a related party entity. The decision about the course of action will greatly depend on the final outcome of the negotiation between UK and EU. The Company generated 67% of its revenue from end customers from the EEA during 2018 (note 5.1). Further details are set out in note 19 to the financial statements.

## **DIRECTORS**

The directors during the year and up to the date of signing of the financial statements under review, except as noted, were:

E Wiseman  
L Pellegrino  
M Jeffrey  
D Chazonoff  
M F Ansari  
M Bojilov

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

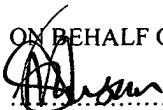
## **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR**

So far as each of the directors are 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **AUDITOR**

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



Fayyaz Ansari

Director

25 April 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKRILL LIMITED**

**Opinion**

In our opinion the financial statements:

- 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Skrill Limited ("the Company") which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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.

**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

**Skrill Limited**  
**INDEPENDENT AUDITOR'S REPORT**  
for the year ended 31 December 2018

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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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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.



Stewart Cumberbatch, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Birmingham, UK  
25 April 2019

**Skrill Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2018

|  | Notes    | <u>2018</u>          | <u>2017</u>           |
|--|----------|----------------------|-----------------------|
|  |          | <u>€'000</u>         | <u>€'000</u>          |
| Revenue  | 5.1      | 224,468              | 217,045               |
| Cost of sales                                  | 5.3      | <u>(34,742)</u>      | <u>(30,224)</u>       |
| <b>Gross profit</b>                            |          | <b>189,726</b>       | <b>186,821</b>        |
| Other operating income                         | 5.2      | 697                  | -                     |
| Selling and marketing expenses                 | 5.4      | (5,599)              | (4,680)               |
| Administrative expenses                        | 5.5; 5.6 | <u>(167,649)</u>     | <u>(58,686)</u>       |
| <b>Operating profit</b>                        |          | <b>17,175</b>        | <b>123,455</b>        |
| Finance costs                                  | 5.7      | (57)                 | (85)                  |
| Finance income                                 | 5.8      | <u>9,311</u>         | <u>5,629</u>          |
| <b>Profit before tax</b>                       |          | <b>26,429</b>        | <b>128,999</b>        |
| Income tax income/(expense)                    | 6        | <u>693</u>           | <u>(369)</u>          |
| <b>Profit for the year</b>                     |          | <b><u>27,122</u></b> | <b><u>128,630</u></b> |
| Other comprehensive income for the year        |          | <u>-</u>             | <u>-</u>              |
| <b>Total comprehensive income for the year</b> |          | <b><u>27,122</u></b> | <b><u>128,630</u></b> |

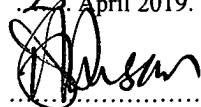
The Directors consider all results to derive from continuing activities.

The notes on pages 16 to 45 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2018

|  | Notes | 2018<br>€'000  | 2017<br>€'000  |
|--|-------|----------------|----------------|
| <b>ASSETS</b>                              |       |                |                |
| <b>Non-current assets</b>                  |       |                |                |
| Equipment                                  | 7     | 841            | 1,079          |
| Intangible assets                          | 8     | 260,160        | 14,651         |
| Long term loans to related parties         | 16    | 141,057        | 276,817        |
| Deferred tax assets                        | 6     | 990            | 2,608          |
|  |       | <b>403,048</b> | <b>295,155</b> |
| <b>Current assets</b>                      |       |                |                |
| Prepaid expenses                           |       | 866            | 944            |
| Income tax receivable                      |       | 2,102          | -              |
| Trade and other receivables                | 9     | 53,057         | 19,432         |
| Settlement assets                          |       | 21,662         | 16,327         |
| Cash held as reserves                      |       | 7,250          | 10,671         |
| Segregated account funds and liquid assets | 10    | 502,988        | 476,471        |
| Cash and cash equivalents                  | 11    | 7,837          | 12,389         |
|  |       | <b>595,762</b> | <b>536,234</b> |
| <b>TOTAL ASSETS</b>                        |       | <b>998,810</b> | <b>831,389</b> |
| <b>Equity</b>                              |       |                |                |
| Share capital                              | 12.1  | 497            | 496            |
| Share premium                              |       | 323,177        | 1,210          |
| Capital contribution reserve               | 12.2  | 490            | 490            |
| Retained earnings                          |       | 92,056         | 322,926        |
| <b>TOTAL EQUITY</b>                        |       | <b>416,220</b> | <b>325,122</b> |
| <b>Non-current liabilities</b>             |       |                |                |
| Long term loans from related parties       | 16    | -              | 6,360          |
|  |       | -              | <b>6,360</b>   |
| <b>Current liabilities</b>                 |       |                |                |
| Liabilities to members and merchants       | 13    | 516,947        | 479,040        |
| Trade and other payables                   | 14    | 65,643         | 20,162         |
| Income tax payable                         |       | -              | 705            |
|  |       | <b>582,590</b> | <b>499,907</b> |
| <b>TOTAL LIABILITIES</b>                   |       | <b>582,590</b> | <b>506,267</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>        |       | <b>998,810</b> | <b>831,389</b> |

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors  
25 April 2019.



Fayyaz Ansari

Director

25 April 2019

**Skrill Limited registered number: 4260907**

The notes on pages 16 to 45 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2018

|   | Share capital<br>(Note 12.1)<br>€'000 | Share<br>premium<br>(Note 12.1)<br>€'000 | Capital<br>contribution<br>reserve (note 12.2)<br>€'000 | Retained<br>earnings<br>€'000 | Total<br>€'000 |
|---|---------------------------------------|--|---|-------------------------------|----------------|
| <b>As at 1 January 2017</b>   | <b>496</b>                            | <b>1,210</b>                             | <b>66</b>   | <b>194,296</b>                | <b>196,068</b> |
| Profit for the year   | -                                     | -  | -   | 128,630                       | 128,630        |
| Total comprehensive income  | -                                     | -  | -   | 128,630                       | 128,630        |
| Share-based payments  | -                                     | -  | 424   | -                             | 424            |
| <b>As at 31 December 2017</b>                                       | <b>496</b>                            | <b>1,210</b>                             | <b>490</b>  | <b>322,926</b>                | <b>325,122</b> |
| Modified retrospective application of IFRS 9 and IFRS 15 (note 2.1) | -                                     | -  | -   | (492)                         | (492)          |
| <b>As at 1 January 2018</b>   | <b>496</b>                            | <b>1,210</b>                             | <b>490</b>  | <b>322,434</b>                | <b>324,630</b> |
| Allotment of shares   | 1                                     | 321,967                                  | -   | -                             | 321,968        |
| Dividend distribution   | -                                     | -  | -   | (257,500)                     | (257,500)      |
| Profit for the year   | -                                     | -  | -   | 27,122                        | 27,122         |
| Total comprehensive income  | -                                     | -  | -   | 27,122                        | 27,122         |
| <b>As at 31 December 2018</b>                                       | <b>497</b>                            | <b>323,177</b>                           | <b>490</b>  | <b>92,056</b>                 | <b>416,220</b> |

The notes on pages 16 to 45 form an integral part of these financial statements.

**Skrill Limited**  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2018

|   | Notes | 2018<br>€'000    | 2017<br>€'000    |
|---|-------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>   |       |                  |                  |
| <b>Profit before tax</b>  |       | <b>26,429</b>    | <b>128,999</b>   |
| Non-cash adjustment to reconcile profit for the year to net cash flows: |       |                  |                  |
| Depreciation and amortisation   | 5.5   | 90,817           | 9,297            |
| Share-based payment charge  |       | -                | 424              |
| Impairment of financial instruments                                     |       | 452              | -                |
| Tax relief on research and development                                  |       | (678)            | -                |
| Finance income  | 5.8   | (9,311)          | (5,629)          |
| Cash flows from operations before movements in working capital          |       | <b>107,709</b>   | <b>133,091</b>   |
| (Increase)/Decrease in trade and other receivables                      |       | (1,277)          | 54,487           |
| Decrease in prepaid expenses  |       | 78               | 254              |
| Increase/(Decrease) in trade and other payables                         |       | 45,432           | (19,472)         |
| Cash flows from operations before movements in payments working         |       | <b>151,942</b>   | <b>168,360</b>   |
| Increase in settlement assets   |       | (5,528)          | (3,678)          |
| Decrease in cash held as reserves                                       |       | 3,421            | 8,170            |
| Increase in segregated account funds and liquid assets                  |       | (27,269)         | (6,466)          |
| Increase in liabilities to members and merchants                        |       | 37,907           | 5,867            |
| Cash flows from operations after movements in payments working          |       | <b>160,474</b>   | <b>172,253</b>   |
| Taxes received/(paid)   |       | 321              | (6,599)          |
| Net cash inflows from operating activities                              |       | <b>160,795</b>   | <b>165,654</b>   |
| <b>INVESTING ACTIVITIES</b>   |       |                  |                  |
| Purchase of equipment   |       | (185)            | (915)            |
| Purchase of intangibles   |       | (14,025)         | (8,885)          |
| Loans granted   |       | (158,911)        | (162,686)        |
| Interest received   |       | 7,774            | 5,629            |
| Net cash used in investing activities                                   |       | <b>(165,347)</b> | <b>(166,857)</b> |
| <b>FINANCING ACTIVITIES</b>   |       |                  |                  |
| Net cash outflows from financing activities                             |       | -                | -                |
| Net decrease in cash and cash equivalents                               |       | (4,552)          | (1,203)          |
| Cash and cash equivalents at 1 January                                  | 11    | 12,389           | 13,592           |
| Cash and cash equivalents at 31 December                                | 11    | <b>7,837</b>     | <b>12,389</b>    |

The notes on pages 16 to 45 form an integral part of these financial statements.



## 1. Corporate information

Skrill Limited ("the Company") is a private limited company registered in England and Wales, incorporated in the United Kingdom under the Companies Act 2006 and registered at 25 Canada Square, London E14 5LQ.

The principal activity of the Company is that of electronic money transfer services. The Company is authorised and regulated by the Financial Conduct Authority (FCA), to operate as an e-money issuer since 2003.

## 2. Significant accounting policies

### 2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (EU IFRS).

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euros and all values are rounded to the nearest thousand (€'000), except when otherwise indicated.

### Change in presentation

Presentation of trade and other receivables, cash and cash equivalents, e-money float and trade and other payables in the statement of financial position has been changed to show also prepaid expenses, settlement assets, cash held as reserves, segregated account funds and liquid assets and liabilities to members and merchants which is aligned with the presentation of financial statements adopted by the Company's parent entity. As a result, the statement of financial position includes five separately presented lines - prepaid expenses, settlement assets, cash held as reserves, segregated account funds and liquid assets and liabilities to members and merchants. This change has been reflected in the Company's cash flow statement, providing an improved visibility of our workings capital payment cycle. Comparative information has been changed accordingly.

Presentation of selling and marketing expenses and administrative expenses in the statement of comprehensive income has been changed to include all employee benefit expenses within administrative expenses which is aligned with the presentation of financial statements adopted by the Company's parent entity. Comparative information has been changed accordingly.

The changes detailed above had no impact on comprehensive income, earnings per share or net assets in either the current nor the comparative period.

### Modified retrospective application of IFRS 9

The Company has adopted IFRS 9 *Financial Instruments* from 1 January 2018, but has not restated comparatives for the 2017 reporting period as permitted in both standards. The effect from the change is recognised as at 1 January 2018 and is as follows:

|  | <i>Note</i> | <b>At 1 January 2018</b> |
|--|-------------|--------------------------|
| Adoption of IFRS 9 <i>Financial Instruments</i>                          | 18          | 492                      |
| <b>Total effect recognised in Retained earnings as at 1 January 2018</b> |             | <b>492</b>               |

## **2.1. Basis of preparation (continued)**

### **Going concern**

The financial statements of the Company have been prepared on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report. The directors have reviewed and examined the financial forecasts of the business and the level of liquidity underpinning the financial position. On this basis the directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of signing the financial statements, is appropriate.

## **2.2. Summary of significant accounting policies**

### **a) Foreign currencies**

The Company's financial statements are presented in Euros, which is also the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Share capital (and any related share premium or additional paid-in capital) denominated in a currency different from the functional currency is translated at historical rates and is not subsequently remeasured.

### **b) Revenue recognition**

The Company is involved in transaction processing services whereas the Company's main performance obligation is to stand ready to provide electronic payment services. As the timing and quantity of transactions to be processed is not determinable at the inception of the contract, the payment services comprise a series of distinct services that are substantially the same and have the same pattern of transfer to the customer over time. As the Company's promise to its customers is to perform a variable quantity of processing electronic payments, the consideration received is contingent upon the customer's use. As such, the total transaction price under a contract is variable. The Group allocates the variable fees charged to the period in which it has the contractual right to bill under the contract, which is typically at the point of transaction.

The Company determines whether it is responsible for providing its payment services as a principal, or for arranging for the services to be provided by the third party as an agent. In this determination, the Company assesses indicators including whether the Company or the third party is primarily responsible for fulfilment of the contract and the extent to which Company have discretion over determining pricing for the good or service, as well as other considerations.

Digital wallets services are primarily offered through the Skrill product. Member and merchant revenue is earned either as a fee calculated as a percentage of funds processed or as a charge per transaction, pursuant to the respective member and merchant agreements, as well as account utilisation fees and fees from inter-currency transactions.

### *Interest income*

Interest income is recognised using the effective interest rate ("EIR") method. Interest income from the investment of the e-money float is included in net revenue in the statement of comprehensive income, since it is earned on funds that are held as part of the Company's revenue generating activities. Interest income from other financial instruments (i.e. loans granted) is included in finance income in the statement of comprehensive income.

### **c) Taxes**

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

## **2.2. Summary of significant accounting policies (continued)**

### **c) Taxes (continued)**

#### *Current income tax (continued)*

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Purchase tax*

Expenses and assets are recognised net of the amount of tax, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **d) Employee benefits**

Short-term employee benefits include salaries, bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 5.6 and Note 6.

## 2.2. Summary of significant accounting policies (continued)

### e) Property, Plant & Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

|                                  |             |
|----------------------------------|-------------|
| Computer equipment               | 3 – 5 years |
| Fixtures, fittings and equipment | 3 – 5 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of fixed assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

### f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### *Company as a lessee*

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

### g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss as the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

#### *Website and software development*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

## 2.2. Summary of significant accounting policies (continued)

### g) Intangible assets (continued)

#### *Website and software development (continued)*

An internally-generated intangible asset arising from the development of the Company's IT platform is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Directly attributable costs capitalised as part of the software product include the software development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives from 3 to 5 years.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

#### *Domain names*

Intangible fixed assets are capitalised based on the cost incurred to acquire the domain names. The useful lives of intangible assets are assessed as finite of three years.

### h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each inventory to its present location and condition are accounted for as follows: Purchase cost on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### i) Financial instruments

The Company classifies its financial assets as either fair value through profit or loss or as at amortised cost.

Financial instruments designated as fair value through profit or loss are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

Financial assets designated as 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, segregated funds and liquid assets, cash held as reserves, trade and other receivables and settlement assets.

## **2.2. Summary of significant accounting policies (continued)**

### **i) Financial instruments (continued)**

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 issue costs in the case of loans and borrowings) and subsequently measured at their amortised cost using the effective interest rate method. They include trade and other payables and liabilities to members and merchants.

Finance costs are charged to the 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.

### **j) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **k) Fair value measurement**

The Company reports no amounts in the statement of financial position at fair value but for disclosure purposes the fair values of assets and liabilities of financial instruments carried at amortised cost are disclosed in note 17.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in discontinued operations.

## **2.2. Summary of significant accounting policies (continued)**

### **k) Fair value measurement (continued)**

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **l) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **m) Settlement assets**

Settlement assets arise as a result from timing differences in the Company's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example e-money or merchant processing liability). These timing differences arise primarily as a result of settlement amounts due from financial institutions and other payment processors. These amounts are typically settled within days of the transaction processing date.

## **2.2. Summary of significant accounting policies (continued)**

### **n) Segregated account funds and liquid assets**

Segregated account funds and liquid assets represents amounts held in segregated bank accounts, which represent funds held on behalf of members and merchants. These segregated bank accounts are segregated from operating funds. In compliance with the safeguarding provisions within the Financial Conduct Authority ("FCA") Electronic Money Regulations 2011 and Payment Services Regulations 2017, the Company is required to safeguard 'relevant funds' from the institution's working capital and other funds immediately upon receipt. Relevant funds are funds that have been received in exchange for e-money that has been issued. Relevant funds received in the form of payment by a payment instrument (PSP settlements) only have to be safeguarded when they are credited to the EMI's or credit union's payment account or are otherwise made available to the EMI or credit union, subject to the requirement that they are safeguarded by the end of five business days after the date on which the e-money was issued.

### **o) Cash held as reserves**

The Company has agreements with various financial institutions for the settlement of payment transactions. Under the terms of these agreements, the Company is required to maintain certain amounts as reserves, which may be applied against any amounts for which the financial institutions would be entitled for reimbursement.

### **p) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term deposits with a maturity of three months or less and deposits redeemable on demand by the Company

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### **q) Share capital**

Share capital represents the par value of shares issued. The proceeds from issued capital (issued price) above share par value are recorded as premium reserves.

### **r) Liabilities to members and merchants**

The Company recognises a liability upon the issuance of electronic money to its members and merchants equal to the amount of electronic money that has been issued. In addition, where the Company is in the flow of funds in the transaction settlement cycle, a liability is recognised for the amount to be settled to merchants. These amounts are presented as liabilities to members and merchants in the Group's statement of financial position.



## 2.2. Summary of significant accounting policies (continued)

### s) Provisions

#### *General*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### t) Share-based payments– equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

In valuing equity-settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above.

The movement in cumulative expense since the previous balance sheet date is recognised in the income statement. As the Company's share-based payments involve equity instruments of the ultimate parent company, Paysafe Group Limited, a corresponding increase is recognised in equity as a contribution from the parent.

### **3. Critical judgements and accounting estimates**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### **Judgements**

In the process of applying the Company's accounting policies, management has made the following judgments which have significant effect on the amounts recognised in the financial statements:

##### *Crypto assets and liabilities*

The Company hold crypto currency assets on behalf of its customers at the amount of €2,458,000 (2017: Null). All the risks and rewards associated with those assets are transferred to the customer, thus the Company does not recognise neither the asset nor the liability to the customers in its balance sheet.

#### **Estimates**

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year,. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### 4.1 Initial application of new and amended IFRS Standards that are effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB), applicable for the Company and adopted by the EU are effective for the current reporting period:

- **IFRS 9 Financial Instruments** - The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has been endorsed by the EU and is effective as of 1 January 2018;
- **IFRS 15 Revenue from Contracts with Customers** - The standard establishes a five-step model that applies to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Additional disclosures are required, including disaggregation of total revenue;
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

#### 4.2 Standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards issued by IASB, applicable for the Company and adopted by the EU are not yet effective:

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).
- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

In January 2016, IFRS 16 was issued which will replace IAS 17 as the standard for recognising, measuring, presenting and disclosing leases. This standard provides a single lessee accounting model requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or if the underlying asset has a low value.

As at 31 December 2018, the Company has undiscounted operating lease commitments of € 2,000,000 (note 15). A preliminary assessment of lease agreements indicates that these arrangements will meet the definition of a lease under IFRS 16, none of which will qualify as low value or short-term leases given that the operating leases are for office properties that had a term of more than 12 months at the commencement date.

The Company will therefore recognise a right-of-use asset and a corresponding liability in respect of the leases. The recognition of the right-of-use asset and lease liability is expected to have a significant impact on the amounts recognised in the Company's financial statements. The directors are currently finalising their assessment of this impact, however, have determined a preliminary estimate range that an asset and corresponding liability of € 6,788,000 to € 6,532,000 will be recognised at 1 January 2019 based on the terms of the leases outstanding at 31 December 2018. This is subject to change.

#### 4.2 Standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

- **IFRS 16 “Leases” (continued)**

Instead of recognising an operating expense within other administrative expenses for its operating lease payments, the Company will instead recognise interest on its lease liabilities within finance costs and amortisation on its right-of-use assets.

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Company in the period of initial application.

#### 4.3 New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU at the date of issue of these financial statements and applicable for the Company:

- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

Except for the application of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (note 2.1), the Company anticipates that the adoption of all other new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

## 5. Revenues and expenses

### 5.1 Net revenue

The Company has only one class of business relating to its principal activities of providing electronic money transfer services. The related revenues from this class of business are presented as follows:

|                                    | 2018<br>€'000  | 2017<br>€'000  |
|------------------------------------|----------------|----------------|
| Revenue from end customers         | 127,701        | 125,696        |
| FX spread income                   | 40,053         | 40,969         |
| Interest income from e-money float | 4,773          | 5,115          |
| Other revenue                      | 57,471         | 50,358         |
| Rebates                            | (5,530)        | (5,093)        |
|                                    | <b>224,468</b> | <b>217,045</b> |

In Other revenues are included distribution fees charged to related parties in the amount of €56,351,000 (2017: €47,750,000) for using intellectual property operated, and maintained by Skrill Limited.

### Geographical information

An analysis of revenue from external customers by geographical markets is given below:

|                         |                |                |
|-------------------------|----------------|----------------|
| UK                      | 8,055          | 8,574          |
| Rest of Europe          | 86,108         | 87,340         |
| North and South America | 11,799         | 11,701         |
| Rest of the world       | 21,739         | 18,081         |
|                         | <b>127,701</b> | <b>125,696</b> |

### 5.2 Other operating income

|  | 2018<br>€'000 | 2017<br>€'000 |
|--|---------------|---------------|
| Tax relief on research and development | 696           | -             |
| Gain on disposal of equipment          | 1             | -             |
|  | <b>697</b>    | <b>-</b>      |

The company has claimed R&D relief under the large company regime (Chapter 6A Part 3 CTA 2009) by way of a R&D Expenditure Credit. The claims cover qualifying R&D expenditures incurred throughout FY 2015 and FY 2016.

### 5.3 Cost of sales

|                                  | 2018<br>€'000   | 2017<br>€'000 |
|----------------------------------|-----------------|---------------|
| Transaction processing fees      | (24,896)        | (23,663)      |
| Bad debt                         | (2,459)         | (1,084)       |
| Commissions and referral bonuses | (6,970)         | (4,956)       |
| Promotions                       | (417)           | (521)         |
|                                  | <b>(34,742)</b> | <b>30,224</b> |

## **5. Revenues and expenses (continued)**

### **5.4 Selling and marketing expenses**

|                    | 2018<br>€'000  | 2017<br>€'000  |
|--------------------|----------------|----------------|
| Marketing expenses | (5,599)        | (4,680)        |
|                    | <b>(5,599)</b> | <b>(4,680)</b> |

### **5.5 Administrative expenses**

Included in administrative expenses for 2018 are charges from related parties less amounts capitalized at the amount of €54,926,000 (2017: €28,391,000), amortisation at the amount of €90,373,000 (2017: €8,795,000), net foreign exchange differences of €2,467,000 (2017: €3,572,000), employee benefits expense at the amount of €6,495,000 (2017: €8,876,000) and depreciation at the amount of €444,000 (2017: €502,000).

### **5.6 Employee benefits expense**

|                                      | 2018<br>€'000  | 2017<br>€'000  |
|--------------------------------------|----------------|----------------|
| Included in administrative expenses: |                |                |
| Wages and salaries                   | (5,078)        | (7,037)        |
| Social security costs                | (591)          | (866)          |
| Other staff costs                    | (870)          | (2,244)        |
| Less: capitalised costs              | 44             | 1,271          |
|                                      | <b>(6,495)</b> | <b>(8,876)</b> |

The average number of employees for the year ending 31 December 2018 and 31 December 2017 was as follows:

|                                       | 2018      | 2017       |
|---------------------------------------|-----------|------------|
| Customer service, sales and marketing | 52        | 49         |
| Information technology                | 3         | 23         |
| Finance                               | 15        | 18         |
| Compliance and risk                   | 11        | 16         |
| Administration                        | 1         | 1          |
| Human resources                       | -         | 4          |
| Management                            | 1         | 2          |
|                                       | <b>83</b> | <b>113</b> |

**5. Revenues and expenses (continued)**

**5.7 Finance costs**

|                                       | 2018<br>€'000 | 2017<br>€'000 |
|---------------------------------------|---------------|---------------|
| Interest expense on third party loans | (57)          | (85)          |
|                                       | <u>(57)</u>   | <u>(85)</u>   |

**5.8 Finance income**

|  | 2018<br>€'000 | 2017<br>€'000 |
|--|---------------|---------------|
| Interest income on related party loans | 9,311         | 5,629         |
|  | <u>9,311</u>  | <u>5,629</u>  |

**6. Income tax**

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

|  | 2018<br>€'000  | 2017<br>€'000 |
|--|----------------|---------------|
| <b>Current income tax charge</b>                         | <b>2,311</b>   | <b>(131)</b>  |
| Current income tax arising from the current period       | -              | (1,850)       |
| Adjustments for prior year tax                           | 2,311          | -             |
| Impact of change in tax rate                             | -              | 1,719         |
| <b>Deferred tax (expense)/ income</b>                    |                |               |
| Deferred tax arising from the current period             | (120)          | 1,238         |
| Adjustments for prior year tax                           | (1,498)        | (1,476)       |
|  | <u>(1,618)</u> | <u>(238)</u>  |
| <b>Income tax expense reported in the profit or loss</b> | <b>693</b>     | <b>(369)</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.

Reconciliation between tax expense and the product of accounting profit multiplied by the domestic tax rate for the years ended 31 December 2018 and 2017 is as follows:

|   | 2018<br>€'000 | 2017<br>€'000  |
|---|---------------|----------------|
| <b>Accounting profit before income tax</b>                                    | <b>26,429</b> | <b>128,999</b> |
| Income tax expense calculated at Skrill income tax rate of 19% (2017: 19.25%) | (5,022)       | (24,832)       |
| Expenses not deductible for tax purposes                                      | (155)         | (329)          |
| Group relief utilised   | 4,999         | 24,496         |
| Adjustments in respect to deferred income tax of previous years               | (1,498)       | (1,476)        |
| Adjustments in respect to current income tax of previous years                | 2,311         | 1,752          |
| Other   | 58            | 20             |
| <b>At the effective income tax rate of (2.6)% (2017: 0.3%)</b>                | <b>693</b>    | <b>(369)</b>   |

## 6. Income tax (continued)

Deferred taxes at 31 December 2018 and 31 December 2017 relate to the following:

|  | Statement<br>of financial position |              | Statement of comprehensive<br>income |              |
|--|------------------------------------|--------------|--------------------------------------|--------------|
|  | 2018                               | 2017         | 2018                                 | 2017         |
|  | €'000                              | €'000        | €'000                                | €'000        |
| Accelerated depreciation/amortisation<br>for accounting purposes | 600                                | 2,299        | (1,699)                              | (326)        |
| Other  | 390                                | 309          | 81                                   | 88           |
| <b>Deferred tax expense</b>                                      |                                    |              | <b>(1,618)</b>                       | <b>(238)</b> |
| <b>Deferred tax asset</b>  | <b>990</b>                         | <b>2,608</b> |                                      |              |

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.

## 7. Property, Plant & Equipment

|                            | Computer<br>equipment | Fixtures, fittings and<br>equipment | Total          |
|----------------------------|-----------------------|-------------------------------------|----------------|
|                            | €'000                 | €'000                               | €'000          |
| <b>Cost</b>                |                       |                                     |                |
| At 1 January 2017          | 4,813                 | 597                                 | 5,410          |
| Additions                  | 403                   | 825                                 | 1,228          |
| Disposals                  | (75)                  | -                                   | (75)           |
| At 31 December 2017        | 5,141                 | 1,422                               | 6,563          |
| Additions                  | 97                    | 112                                 | 209            |
| Disposals                  | (52)                  | -                                   | (52)           |
| <b>At 31 December 2018</b> | <b>5,186</b>          | <b>1,534</b>                        | <b>6,720</b>   |
| <b>Depreciation</b>        |                       |                                     |                |
| At 1 January 2017          | (4,296)               | (436)                               | (4,732)        |
| Depreciation for the year  | (414)                 | (88)                                | (502)          |
| Other                      | -                     | (312)                               | (312)          |
| Disposals                  | 62                    | -                                   | 62             |
| At 31 December 2017        | (4,648)               | (836)                               | (5,484)        |
| Depreciation for the year  | (285)                 | (159)                               | (444)          |
| Disposals                  | 49                    | -                                   | 49             |
| <b>At 31 December 2018</b> | <b>(4,884)</b>        | <b>(995)</b>                        | <b>(5,879)</b> |
| <b>Net book value</b>      |                       |                                     |                |
| At 31 December 2017        | 493                   | 586                                 | 1,079          |
| At 31 December 2018        | 302                   | 539                                 | 841            |

### *Impairment of equipment*

The Company conducted a review for impairment of equipment at 31 December 2018. No indicators were identified where the carrying amount of the assets exceeded their recoverable amount and therefore no impairment loss was recognised in the financial statements (2017: nil).



## 8. Intangible assets

|                            | Software and website<br>development | Domain<br>names | Total            |
|----------------------------|-------------------------------------|-----------------|------------------|
|                            | €'000                               | €'000           | €'000            |
| <b>Cost</b>                |                                     |                 |                  |
| At 1 January 2017          | 39,116                              | 404             | 39,520           |
| Additions                  | 8,834                               | 48              | 8,882            |
| Disposals                  | (10,391)                            | (404)           | (10,795)         |
| At 31 December 2017        | 37,559                              | 48              | 37,607           |
| Additions                  | 16,002                              | 20              | 16,022           |
| Transfers –IP              | 349,084                             | 52,482          | 401,566          |
| Disposals                  | (2,923)                             | (2)             | (2,925)          |
| <b>At 31 December 2018</b> | <b>399,722</b>                      | <b>52,548</b>   | <b>452,270</b>   |
| <b>Amortization</b>        |                                     |                 |                  |
| At 1 January 2017          | (24,529)                            | (385)           | (24,914)         |
| Amortization for the year  | (8,782)                             | (13)            | (8,795)          |
| Disposals                  | 10,391                              | 362             | 10,753           |
| At 31 December 2017        | (22,920)                            | (36)            | (22,956)         |
| Amortization for the year  | (79,866)                            | (10,507)        | (90,373)         |
| Transfers –IP              | (69,102)                            | (10,496)        | (79,598)         |
| Disposals                  | 817                                 | -               | 817              |
| <b>At 31 December 2018</b> | <b>(171,071)</b>                    | <b>(21,039)</b> | <b>(192,110)</b> |
| <b>Net book value</b>      |                                     |                 |                  |
| At 31 December 2017        | 14,639                              | 12              | 14,651           |
| <b>At 31 December 2018</b> | <b>228,651</b>                      | <b>31,509</b>   | <b>260,160</b>   |

As at 1 January 2018 the Company acquired Intellectual Property (IP) rights from related party. It was transferred at net book value (€ 321,968,000) and recognised at cost and accumulated amortisation.

### *Impairment of intangible assets*

The Company conducted a review for impairment of intangible assets at 31 December 2018. No indicators showed that the carrying amount of the assets exceeded the recoverable amount and therefore, no impairment loss was recognised in the financial statements (2017: € nil).

## 9. Trade and other receivables

|  | 2018          | 2017          |
|--|---------------|---------------|
|  | €'000         | €'000         |
| Trade receivables                          | 1,750         | 1,125         |
| Receivables from related parties (Note 16) | 48,215        | 15,253        |
| Accrued deposit interest                   | 1,993         | 1,897         |
| Other receivables                          | 1,099         | 1,157         |
|  | <b>53,057</b> | <b>19,432</b> |

For terms and conditions relating to receivables from related parties, refer to Note 16.

Trade receivables are not interest bearing and are generally on 30-days' terms.

## 10. Segregated account funds and liquid assets

Segregated account funds and liquid assets represents amounts held in segregated bank accounts, which represent funds held on behalf of consumers and merchants. In compliance with the safeguarding provisions within the Financial Conduct Authority ("FCA") Electronic Money Regulations 2011 and Payment Services Regulations 2017, the Company is required to safeguard 'relevant funds' from the institution's working capital and other funds immediately upon receipt. Relevant funds are funds that have been received in exchange for e-money that has been issued. Relevant funds received in the form of payment by a payment instrument (PSP settlements) only have to be safeguarded when they are credited to the EMI's or credit union's payment account or are otherwise made available to the EMI or credit union, subject to the requirement that they are safeguarded by the end of five business days after the date on which the e-money was issued.

These segregated bank accounts are held with the Company's principal bankers and are segregated from operating funds. Segregated account funds and liquid assets earns interest at floating rates based on daily bank deposit rates. The deposits are made in different currencies and for varying periods of between one month and five years, and earn interest of 0.1% -10% per annum. The Company can redeem the deposits at any time before their maturity dates.

|               | 2018           | 2017           |
|---------------|----------------|----------------|
|               | €'000          | €'000          |
| Cash at banks | 154,925        | 95,481         |
| Deposits      | 348,063        | 380,990        |
|               | <b>502,988</b> | <b>476,471</b> |

## 11. Cash and cash equivalents

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.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 12.1 Share capital

### *Authorised shares*

The authorised capital of Skrill Limited is 350,000 ordinary shares of £1 each. As disclosed below part of the authorised capital has remained unissued as at 31 December 2018.

### *Issued and fully paid shares*

|                                      | <i>Shares<br/>number</i> | <i>€'000</i> |
|--------------------------------------|--------------------------|--------------|
| <b>At 31 December 2017</b>           | <b>320,665</b>           | <b>496</b>   |
| Ordinary euro shares of 1.547 € each | 320,665                  | 496          |
| <b>At 31 December 2018</b>           | <b>321,665</b>           | <b>497</b>   |
| Ordinary euro shares of 1.546 € each | 321,665                  | 497          |

On 20 December 2018, the Company allotted 1,000 ordinary shares of £1 each for cash at €1.1086 per share. The shares were subscribed by the sole owners of the Company, Skrill Holdings Limited and the amount payable on application for the shares was satisfied by the release of Company's debt to Skrill Holdings Limited in the amount of €321,968,044. The debt originates from the assignment of intellectual property rights (note 8). The Company recognized share premium of €321,967,000 as a result of the transaction.

## 12.2 Capital contribution reserve

The Company had granted to some directors and employees, including key management personnel, options to subscribe for ordinary shares of Paysafe Group Limited under the Long Term Incentive Plan ("LTIP").

On 20 December 2017, all LTIP options outstanding at that date were either equity or cash settled in connection with the acquisition of Paysafe Group by Pi UK Bidco Limited, pursuant to a change of control provision in the plans terms.

For the year ended 31 December 2018, a share-based payment expense of null (2017: €424,000) was recognized in the Company's statement of comprehensive income. A corresponding increase was recognized in equity as a contribution from the parent.

## 13. Liabilities to members and merchants

The Company recognizes a liability upon the issuance of electronic money to its members and merchants equal to the amount of electronic money that have been issued. In addition, where the Company is in the flow of funds in the transaction settlement cycle a liability is recognized for the amount to be settled to merchants. These amounts are presented as liabilities to members and merchants and they are due on demand.

As a FCA regulated entity, Skrill Limited is required to keep sufficient safeguarded funds to cover the amount of e-money which need to be segregated before the next reconciliation and not excessive funds on the required safeguarded amount (to minimize risks arising from commingling). The Company has been in full compliance with the above requirement.

## 14. Trade and other payables

|   | <u>2018</u><br><u>€'000</u> | <u>2017</u><br><u>€'000</u> |
|---|-----------------------------|-----------------------------|
| Trade payables                                    | 535                         | 2,320                       |
| Payables to related parties (Note 16)             | 50,210                      | 7,403                       |
| Other payables                                    | 8,155                       | 4,377                       |
| Accruals for commissions and merchant rebates     | 5,441                       | 4,920                       |
| Other taxes, employment taxes and social security | 1,302                       | 1,142                       |
|   | <b><u>65,643</u></b>        | <b><u>20,162</u></b>        |

#### **14. Trade and other payables (continued)**

Trade payables and accruals comprise amounts outstanding from trade purchases and ongoing costs. Trade and other payables are non-interest bearing and are generally on 30-days' terms. For terms and conditions relating to payables to related parties, refer to Note 16.

#### **15. Commitments and contingencies**

##### **Capital commitments**

At 31 December 2018 (2017: None) the Company did not have any capital commitments.

##### **Legal claims**

There were no significant legal claims against the Company.

##### **Operating lease commitments — Company as lessee**

The Company has entered into a lease agreement for office space in London, United Kingdom. The lease had an original term of 10 years (from September 2015 to September 2025), cancellable in September 2020 with a 6-month prior notice. The lease was novated to Skrill Limited in August 2017.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

|   | 2018                | 2017                |
|---|---------------------|---------------------|
|   | <u>€'000</u>        | <u>€'000</u>        |
| Within one year                             | 1,142               | 1,178               |
| After one year but not more than five years | 856                 | 2,020               |
| More than five years                        | 2                   | 3                   |
|   | <u><b>2,000</b></u> | <u><b>3,201</b></u> |

##### **FCA regulatory capital requirements**

Skrill Limited, an FCA regulated entity, is required to have minimum amount of capital. The FCA's regulatory requirement is, at any time, for Skrill Limited to have initial capital in excess of €350,000 and hold regulatory own funds which are 2% of the average daily outstanding e-money amount at the end of each calendar day over the preceding 6 month period.

The FCA regulatory requirements and the Company's regulatory own funds at the year ends are as follows:

|                                     | 2018         | 2017         |
|-------------------------------------|--------------|--------------|
|                                     | <u>€'000</u> | <u>€'000</u> |
| FCA regulatory capital requirements | 9,751        | 9,223        |
| Regulatory own funds                | 156,864      | 181,819      |

## 16. Related party disclosure

### *Ultimate parent*

The ultimate parent of the Company is Pi Jersey Topco Limited, a company registered in Jersey. At the current and prior balance sheet dates there is no ultimate controlling party of the Company. The registered address of Pi Jersey Topco Limited is 1 Waverley Place Union Street, St Helier, Jersey, JE1 1SG.

### *Direct parent*

The immediate parent of the Company is Skrill Holdings Limited, a company registered in England and Wales with the registered office at 25 Canada Square, London E14 5LQ.

### *Intermediate parents*

The intermediate parents of the Company are Paysafe Holdings UK Limited, Paysafe Group Limited, Pi UK Bidco Limited, Pi UK Holdco III Limited, Pi UK Holdco II Limited, Pi Jersey Holdco 1.5 Limited and Pi UK Holdco I Limited.

### *Representative offices*

Skrill Philippines is a representative office of the Company. It was incorporated in Philippines on 30 May 2014 with a registered capital of PHP 1,299,000 (EUR 21,637).

### *Other related parties*

Rapid Transfer Limited, Skrill Services GMBH, Skrill Capital Limited, paysafecard.com Wertkarten Vertriebs GmbH, Payolution GmbH, Sabemul Beteiligungsverwaltung GmbH, Paysafe Bulgaria EOOD, Skrill Canada Inc., Skrill Hong Kong Limited., Skrill Singapore Pte Limited., Skrill USA Inc., Smart Voucher Limited., Prepaid Services Company Limited, Digital Payments Europe Limited, Digital Payments Solutions Australia Pty Limited, Digital Payments Solutions New Zealand Limited, among others, are under the common control of Pi Jersey Topco Limited, the ultimate parent.

### Amounts due from related parties – current

| Trade and other receivables from related parties | 2018<br>€'000 | 2017<br>€'000 |
|--|---------------|---------------|
| <i>Ultimate parent</i>                           | -             | -             |
| <i>Direct parent</i>                             | 34,779        | -             |
| <i>Intermediate parents</i>                      | 8,418         | 10,139        |
| <i>Other related parties</i>                     | 5,018         | 5,114         |
|  | <b>48,215</b> | <b>15,253</b> |

### Amounts due to related parties – current

| Trade and other payable to related parties | 2018<br>€'000 | 2017<br>€'000 |
|--|---------------|---------------|
| <i>Ultimate parent</i>                     | -             | -             |
| <i>Direct parent</i>                       | -             | 336           |
| <i>Intermediate parents</i>                | 9,404         | 2,000         |
| <i>Other related parties</i>               | 40,806        | 5,067         |
|  | <b>50,210</b> | <b>7,403</b>  |

## 16. Related party disclosure (continued)

### Sales to related parties

| <u>Related party</u>         | <u>Nature of transactions</u> | <u>2018</u><br><u>€'000</u> | <u>2017</u><br><u>€'000</u> |
|------------------------------|-------------------------------|-----------------------------|-----------------------------|
| <i>Intermediate parents</i>  | Rendering services            | -                           | -                           |
| <i>Other related parties</i> | Rendering services            | 56,646                      | 51,526                      |

### Purchases from related parties

| <u>Related party</u>         | <u>Nature of transactions</u> | <u>2018</u><br><u>€'000</u> | <u>2017</u><br><u>€'000</u> |
|------------------------------|-------------------------------|-----------------------------|-----------------------------|
| <i>Ultimate parent</i>       | Receiving services            | -                           | 498                         |
| <i>Direct parent</i>         | Receiving services            | -                           | 1,583                       |
| <i>Intermediate parents</i>  | Receiving services            | 8,500                       | 1,477                       |
| <i>Other related parties</i> | Receiving services            | 62,257                      | 52,261                      |

#### *Terms and conditions of transactions with related parties*

The purchases and sales from/to related parties are made based on the contractual terms. Outstanding balances at year end are unsecured, interest free and settlement occurs either in cash or through offsetting. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 16. Related party disclosure (continued)

### Loans granted to related parties

|   | <u>Maturity</u> | <u>2018</u>    | <u>2017</u>    |
|---|-----------------|----------------|----------------|
|   |                 | €'000          | €'000          |
| <i>Direct parent</i>  |                 |                |                |
| (1) €60,000,000 related party loan, at nominal value (Skrill Holding Limited)   | Dec-18          | -              | 30,811         |
| Interest receivable   |                 | 4,466          | 3,247          |
| <i>Intermediate parents</i>   |                 |                |                |
| (1) €50,000,000 related party loan, at nominal value (Paysafe Holdings UK Ltd.) | Dec-22          | 136,161        | 236,350        |
| Interest receivable   |                 | 419            | -              |
| <i>Other related parties</i>  |                 |                |                |
| (1) €10,000,000 related party loan, at nominal value (Payolution GmbH)          | Dec-20          | 4,896          | 6,004          |
| Interest receivable   |                 | 281            | 399            |
| (2) €10,000,000 related party loan, at nominal value (Rapid Transfer Ltd.)      | Dec-19          | 6              | 6              |
| Interest receivable   |                 | -              | -              |
| <b>Total long term loan receivable</b>  |                 | <b>141,057</b> | <b>276,817</b> |

The interest rate charged on loans granted to Skrill Holdings Limited, Skrill Group Limited, Paysafe Holding UK Ltd, Rapid Transfer Ltd. is determined on the basis of the weighted average cost of debt of Paysafe Group. The interest rate charge on the loan granted to Payolution GmbH is weighted average cost of debt of Paysafe Group plus a fixed spread of 0.25%.

## 16. Related party disclosure (continued)

### Loans due to related parties

|  | Maturity | 2018<br>€'000 | 2017<br>€'000 |
|--|----------|---------------|---------------|
| <i>Other related parties</i>                         |          |               |               |
| (1) €11,966,811 related party loan, at nominal value | Mar-21   | -             | 6,360         |
| (Smart Voucher Ltd.)                                 |          | -             | -             |
| Interest payable                                     |          | -             | -             |
| <b>Total long term loan payable</b>                  |          | <b>-</b>      | <b>6,360</b>  |

In May 2018 the loan was settled through and intercompany agreement between Skrill Limited, Smart Voucher Ltd. and Paysafe Holdings UK Ltd., whereby Skrill Limited no longer has a loan payable to Smart Voucher Ltd, but a loan payable of EUR 6,419,000 to Paysafe Holdings UK Ltd. under the existing loan facility agreement between the parties, while Smart Voucher Ltd has placed the corresponding amount of GBP 5,649,000 on interest free intercompany current account with Paysafe Holdings UK Ltd.

### Key management personnel compensation

|  | 2018<br>€'000 | 2017<br>€'000 |
|--|---------------|---------------|
| Directors' fee and other emoluments    | 395           | 528           |
| Other pension contributions            | 8             | 17            |
| Termination benefits                   | -             | 9             |
|  | <b>403</b>    | <b>554</b>    |
| Remuneration of highest paid director: | <b>230</b>    | <b>237</b>    |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to key management personnel - 1 director and 1 key management part through the year. (2017: 1 executive director; 1 director and 1 key management).

## 17. Fair value of financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents;
- Segregated account funds and liquid asset;
- Settlement assets;
- Cash held as reserves;
- Trade and other receivables;
- Long term loans to related parties;
- Liabilities to members and merchants;
- Trade and other payables;
- Long term loans from related parties;



## 17. Fair value of financial instruments (continued)

### *Financial instruments by category*

|   | <b>Amortised cost</b> |                |
|---|-----------------------|----------------|
|   | 2018                  | 2017           |
|   | €'000                 | €'000          |
| <b>Financial assets</b>                   |                       |                |
| Cash and cash equivalents                 | 7,837                 | 12,389         |
| Segregated account funds and liquid asset | 502,988               | 476,471        |
| Settlement assets                         | 21,662                | 16,327         |
| Cash held as reserves                     | 7,250                 | 10,671         |
| Trade and other receivables               | 53,057                | 19,432         |
| Long term loans to related parties;       | 141,057               | 276,817        |
|   | <b>733,851</b>        | <b>812,107</b> |

|                                      | <b>Amortised cost</b> |                |
|--------------------------------------|-----------------------|----------------|
|                                      | 2018                  | 2017           |
|                                      | €'000                 | €'000          |
| <b>Financial liabilities</b>         |                       |                |
| Liabilities to members and merchants | 516,947               | 479,040        |
| Trade and other payables             | 65,643                | 20,162         |
| Long term loans from related parties | -                     | 6,360          |
|                                      | <b>582,590</b>        | <b>505,562</b> |

On initial application of IFRS9 all financial assets were previously categorised as loans and receivables were reclassified to amortised cost. Since loans and receivables were previously measured at amortised cost under IAS39 there was no impact on the measurement basis or related carrying values.

In respect of financial liabilities there has been no change to the classification or measurement on adoption of IFRS9.

The fair values of cash and cash equivalents, segregated account funds and liquid asset, settlement assets, cash held as reserves, trade and other receivables, liabilities to members and merchants, trade and other payables, amounts due to/from other group companies approximate the carrying values due to the short-term nature of these instruments. All assets and liabilities subject to fair value belong to Level 1 fair value hierarchy.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

- Level 1 – valued using quoted prices in active markets for identical assets;
- Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1;
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

There were no transfers between levels during the year.

## 17. Fair value of financial instruments (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the company's financial instruments:

|                                    | <b>Carrying amount</b> |                | <b>Fair value</b> |                |
|------------------------------------|------------------------|----------------|-------------------|----------------|
|                                    | 2018                   | 2017           | 2018              | 2017           |
|                                    | €'000                  | €'000          | €'000             | €'000          |
| <b>Financial assets</b>            |                        |                |                   |                |
| Long term loans to related parties | 141,057                | 276,817        | 135,181           | 276,817        |
| Trade and other receivables        | 53,057                 | 19,432         | 53,057            | 19,432         |
| Settlement assets                  | 21,662                 | 16,327         | 21,662            | 16,327         |
| Cash held as reserves              | 7,250                  | 10,671         | 7,250             | 10,671         |
| Segregated account funds and       | 502,988                | 476,471        | 502,988           | 476,471        |
| Cash and cash equivalents          | 7,837                  | 12,389         | 7,837             | 12,389         |
| <b>Total</b>                       | <b>733,851</b>         | <b>812,107</b> | <b>727,975</b>    | <b>812,107</b> |

|                                      | <b>Carrying amount</b> |                | <b>Fair value</b> |                |
|--------------------------------------|------------------------|----------------|-------------------|----------------|
|                                      | 2018                   | 2017           | 2018              | 2017           |
|                                      | €'000                  | €'000          | €'000             | €'000          |
| <b>Financial liabilities</b>         |                        |                |                   |                |
| Long term loans from related parties | -                      | 6,360          | -                 | 6,360          |
| Liabilities to members and merchants | 516,947                | 479,040        | 516,947           | 479,040        |
| Trade and other payables             | 65,643                 | 20,162         | 65,643            | 20,162         |
| <b>Total</b>                         | <b>582,590</b>         | <b>505,562</b> | <b>582,590</b>    | <b>505,562</b> |

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- The fair value of cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments; and
- The fair value of long term loans is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.
- The fair value of financial liabilities equates to their carrying values as they are all repayable within 30 days or less or on demand.

## 18. Financial risk management objectives and policies

The Company's principal financial liabilities comprise liabilities in connection with e-money float, trade and other payables, long term borrowings from related parties. The Company's principal financial assets include trade and other receivables, long and short term loans to related parties, and cash and cash equivalents that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

## **18. Financial risk management objectives and policies (continued)**

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not report any long or short term borrowings with floating interest rates. The Company manages any exposure to interest rate fluctuations by predominantly investing funds in financial instruments with short-term maturities or in financial instruments redeemable on demand in line with applicable FCA rules and regulations. The investments on the asset side are short-term or redeemable on demand and are linked to variable interest rates. The interest rate development and the resulting risk of changing interest rates are monitored constantly and analysed with regard to the potential impact on income. An increase in short-term interest rates would result in an overall improvement in earnings of the Company. Thus, the Company is not exposed to the risk of changes in market interest rates and any additional measures relating to interest rate risk management are currently not deemed necessary.

### **Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has adopted a policy of only dealing with counterparties rated by external independent agencies as creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as of 31 December 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

### **Impairment of financial assets**

The Company has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents;
- Segregated funds and liquid assets;
- Settlement assets;
- Cash held as reserves.

#### **Cash and cash equivalents and Segregated funds and liquid assets**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses. Based on an external source (Bloomberg) of credit ratings; and the outstanding balance as at 1 January 2018 (on adoption of IFRS 9) and 31 December 2018 the Company calculated the expected loss allowance for all cash and cash equivalents and segregated funds held at banks.

#### **Settlement assets and Cash held as reserves**

To measure the expected credit losses both settlement assets and cash held as reserves have been grouped based on shared credit risk characteristics. The analysis has been based on historical information about possibilities of loss. The Company has therefore concluded that the expected loss rates are a reasonable approximation of the loss rates for these classes of assets.

## 18. Financial risk management objectives and policies (continued)

### Settlement assets and Cash held as reserves (continued)

On that basis, the loss allowance as at 1 January 2018 (on adoption of IFRS 9) and 31 December 2018 was determined as follows:

| As at 31 December 2018   | 31 Dec<br>2018 | 1 Jan 2018 |
|--|----------------|------------|
| Gross carrying amount:   | 752            | 360        |
| Cash and Cash equivalents and Segregated funds and liquid assets |                |            |
| Gross carrying amount:   | 193            | 132        |
| Settlement assets and Cash held as reserve                       |                |            |
| <b>Loss allowance</b>  | <b>945</b>     | <b>492</b> |

The closing loss allowances for segregated funds and liquid assets and settlement assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

|   | Cash and cash equivalents<br>and Segregated funds and<br>liquid assets |          | Settlement assets and<br>Cash held as reserves |          |
|---|--|----------|--|----------|
|   | 2018   | 2017     | 2018   | 2017     |
| <b>At 31 December 2017 – calculated under IAS 39</b>                                | -  | -        | -  | -        |
| Opening loss allowance as at 1 January 2018,<br>calculated under IFRS 9 and IFRS 15 | 360  | -        | 132  | -        |
| Increase in the loss allowance<br>recognised in profit or loss during year          | 392  | -        | 61   | -        |
| <b>At 31 December 2018</b>  | <b>752</b>   | <b>-</b> | <b>193</b>                                     | <b>-</b> |

### Liquidity risk

Liquidity risk refers to the risk that an entity will not have sufficient funds available at any given time to meet its obligations on time. As part of established management mechanisms, rolling financial planning is monitored at management level.

The Company has significant net cash balances as at the balance sheet date. Liquidity risk is monitored on a daily basis and is kept within the FCA requirements for e-money issuers. Management closely monitors the cash position of the Company on a continuous basis to ensure sufficient liquidity exists for business needs. The Company has positive cash flows from operating activities, and the cash balances are adequate to finance the ongoing working capital and capital investment requirements of the Company's operations. The Company balances the flexible use of funding by way of loans to / from related parties.

## 18. Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

#### As of 31 December 2018

|                             | On<br>demand   | 1-3<br>months | 3-12<br>months | 1-5 years | > 5 years | Total          |
|-----------------------------|----------------|---------------|----------------|-----------|-----------|----------------|
|                             | €'000          | €'000         | €'000          | €'000     | €'000     | €'000          |
| Trade payables              |                | 535           | -              | -         | -         | 535            |
| E-money float               | 516,947        | -             | -              | -         | -         | 516,947        |
| Other payables              | -              | 13,596        | -              | -         | -         | 13,596         |
| Payables to related parties | -              | 50,210        | -              | -         | -         | 50,210         |
|                             | <b>516,947</b> | <b>64,341</b> | <b>-</b>       | <b>-</b>  | <b>-</b>  | <b>581,188</b> |

#### As of 31 December 2017

|                                      | On<br>demand   | 1-3<br>months | 3-12<br>months | 1-5 years    | > 5 years | Total          |
|--------------------------------------|----------------|---------------|----------------|--------------|-----------|----------------|
|                                      | €'000          | €'000         | €'000          | €'000        | €'000     | €'000          |
| Trade payables                       | -              | 2,320         | -              | -            | -         | 2,320          |
| E-money float                        | 479,040        | -             | -              | -            | -         | 479,040        |
| Other payables                       | -              | 9,279         | -              | -            | -         | 9,279          |
| Payables to related parties          | -              | 7,403         | -              | -            | -         | 7,403          |
| Long term loans from related parties | -              | -             | -              | 6,360        | -         | 6,360          |
|                                      | <b>479,040</b> | <b>19,002</b> | <b>-</b>       | <b>6,360</b> | <b>-</b>  | <b>504,402</b> |

## **18. Financial risk management objectives and policies (continued)**

### **Foreign exchange risk**

The risk resulting from fluctuations in fair values of financial instruments or other balance sheet items and/or cash flows due to foreign currency fluctuations is referred to as foreign exchange risk. The risk exists in particular where business transactions are carried out in currencies other than the functional currency of the Company.

In its operating activities, the Company is exposed to foreign currency risks in transactions where issuing currency and redemption currency are not the same. Most of the revenue is generated in the Eurozone, the absolute volume of Company's cross-currency transactions, however, is increasing.

To minimise foreign exchange risks, the Company provide for payment obligations in foreign currencies through regular foreign exchange purchases and surpluses in foreign currency assets not required are sold regularly. All significant balances of financial instruments in foreign currencies arise from business operations.

The following tables demonstrate the sensitivity to a reasonably possible change in the functional currency against the following major currencies at the respective balance sheet dates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

|       | 2018                        |                             | 2017                        |                             |
|-------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|       | 10%<br>revaluation<br>€'000 | 10%<br>devaluation<br>€'000 | 10%<br>revaluation<br>€'000 | 10%<br>devaluation<br>€'000 |
| GBP   | (17,562)                    | 17,562                      | (17,682)                    | 17,682                      |
| USD   | 31,806                      | (31,806)                    | (21,472)                    | 21,472                      |
| Other | 6,511                       | (6,511)                     | (730)                       | 730                         |

### **Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Company aims to maintain equity at an amount necessary to achieve these objectives.

The capital structure of the Company consists of debt, which includes the related party long term borrowings disclosed in note 16 and equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated profits.

## **19. Events after the reporting date**

The Company is currently able to benefit from passporting rights to supply its services across the EEA. The UK's exit from the EU may result in a loss of those passporting rights and the Company will require alternative EEA licences in order to continue operations within the EEA.

Consequently, a separate related party entity has applied for a licence from the Central Bank of Ireland ("CBI") to enable the continuity of operations within ongoing EEA jurisdictions. As of 4 March 2019 an e-money licence has been granted and passporting process for the newly licensed Irish related party entity has been completed.

Following Brexit, if the Company loses the right to passport its license across EEA, the EEA business and associated assets with it may be transferred to a related party entity. The decision about the course of action will greatly depend on the final outcome of the negotiation between UK and EU. The Company generated 67% of its revenue from end customers from EEA during 2018 (note 5.1).

No other events have occurred after the reporting date which require additional adjustments or disclosures in the financial statements of the Company for the year ended 31 December 2018.