

PAYS Services UK Limited

Annual report and financial statements

For the year ended 31 December 2022

Registered number: 6907047

FRIDAY



ACD2AIU8

A05

29/09/2023

#5

COMPANIES HOUSE

PAYS Services UK Limited

Contents

	<i>Page</i>
Company Information	1
Strategic report	2
Directors' report	4
Report of the Independent Auditors	7
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes	13

PAYS Services UK Limited

Company information

Directors

Elliott Wiseman

Marco Kreutzer

Aoife McInerney (Appointed on 1 April 2023)

Nicholas Walker (Resigned on 31 March 2023)

Paulette Rowe (Resigned on 13 May 2022)

Registered office

2 Gresham Street

London

EC2V 7AD

England

Registered auditors

Deloitte LLP

Statutory Auditor

2 New Street Square

London

EC4A 3BZ

PAYS Services UK Limited

Strategic Report

The Directors present their Strategic report on PAYS Services UK Limited (the "Company") for the year ended 31 December 2022.

Principal activity and business review

The Company acts as a service company for the Paysafe Group and incurs costs centrally, before recharging to fellow group companies.

In June 2022, the remaining subsidiary of the Company, PAYS Services India LLP, was sold to an external party. As part of the Paysafe Group's legal entity rationalisation exercise to simplify the group structure, subsequent to year end on 31 January 2023, Paysafe Group Limited transferred its interest in the Company to Paysafe Holdings UK Limited.

Results

While revenue and cost (admin expenses) increased considerably from prior year due to increase in volume of recharges), operating profit remained flat at £1,069,673 (2021: £1,069,784) mainly due to the increase in impairment loss on financial assets recognized during the year from £147,531 in prior year to £858,821. The increase in net profit before tax of £1,929,875 from prior year was primarily driven by the gain on disposal of an investment during the year amounting to £990,820 (2021: £nil) and the increase in finance income and dividend income from prior year by £709,048 and £404,964, respectively. These favourable results translated into the Company's increase in net assets by £14,229,943 to £39,576,435 as at 31 December 2022 (2021: £25,346,492).

Key performance indicators (KPI)

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

Section 172(1) statement

The directors of Pays Services UK Limited have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in Section 172(1) of the Companies Act 2006. The Company is part of the Paysafe Group ("the Group") and embedded into their framework of principles and values shared by all group members. Throughout 2023, the board will continue to review and challenge how the Company can improve engagement with its stakeholders.

Duty to promote success of the Company

Paysafe Group has in place a risk management framework which ensures that we properly manage the Group's inherent risk and facilitate better business decisions. Consideration of risk is built into all key strategic and business decision making processes. The Paysafe Group Code reflects Paysafe's commitment to the highest ethical standards that embody the core values of being Pioneering, Courageous, Open and Focused. The Paysafe Group Code also includes requirements for always acting in the best interests of the Company and its stakeholders.

Paysafe Group is committed to preserve its reputation as a trustworthy partner avoiding risks and being transparent and in full compliance any loss of reputation would affect severely the relationship with our stakeholders. These relationships are monitored and managed by Group treasury team.

Relationships with suppliers, customers and others

The nature of our business requires us to enter into contractual relationships with banks and financial institutions. We depend on these relationships to operate on a day-to-day basis.

PAYS Services UK Limited

Strategic Report

People and employee engagement

Paysafe Group is committed to attracting and retaining the best talent, providing a culture of collaboration, diversity and inclusion and creating an environment that ensures its people have the skills and resources needed to deliver value to customers and partners, whilst developing a rewarding career. The Group recognises the importance of engaging employees to help make their fullest contribution to the business, which is fundamental to achieving the Group's strategy and long-term objectives.

Charities and community initiatives

Paysafe Group (of which the Company is part) continues to support various charitable endeavours that support local communities. All employees were given a volunteer day to use in their local communities.

High standards of business

The Company's Code of conduct is aligned with the Paysafe Group's Code of conduct which reflects Paysafe's commitment not just to law and regulation, but to the highest ethical standards that embody the core values of being Pioneering, Courageous, Open and Focused.

Environment

On Earth Day in April 2022, Paysafe Group proudly announced having been certified as a carbon neutral company for another year. This is a great achievement and an effort that will be continued in the future. As part of this effort, various sustainability projects were supported.

Disclosure of principal risk and uncertainty

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from intercompany receivables. While there is an expected credit loss allowance recognized in the financial statements in accordance with IFRS 9, historically there have been no default events and no losses were incurred; therefore, management assesses the credit risk to be low.


Reliance on Group companies

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

Future developments

The Company is expected to continue to act as a service company for the Paysafe Group.

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

DocuSigned by:

68717C166A73498...

Marco Kreutzer

Director

26 September 2023

PAYS Services UK Limited

Directors' Report

The directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2022.

Results and Dividend

The Company's net profit for the period amounted to £5,665,480 (2021: £3,616,000).

The Directors do not recommend the payment of a dividend for the year-ended 31 December 2022 (2021: £nil).

Going concern

These financial statements have been prepared on the going concern basis as the Board of Directors have reasonable expectation that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Paysafe Group and the Directors of the Company have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital reserves. The Paysafe Group, of which the Company is a part, has put in place measures to contain and proactively mitigate exposure to present and future risks stemming from economic and geopolitical uncertainties. These strategic initiatives includes diversification of market presence and the strategic development of new financial products and services. These actions collectively bolster the Group's resilience in navigating the challenging economic landscape.

Whilst the COVID-19 pandemic continues to have an impact on businesses globally, for the year ended 31 December 2022, there have been no material impact on our estimates and ability to continue to operate as a going concern. During the year, Paysafe Group's credit default risk has increased significantly since December 2021 which resulted in material impairment charges being recognized in the statement of comprehensive income. The increase in the Group's default rate was driven by the economic volatility and uncertainties linked to inflationary pressures. As part of management's review and the going concern assessment, the factors that have led to the impairment are considered to be external to the Company and do not affect the Company's ability to continue as a going concern.

Furthermore, the Company generated a net profit after tax of £5,665,480 for the year (2021: £3,616,000) and continued to maintain a positive net asset position of £39,576,435 at 31 December 2022 (2021: £25,346,492).

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Post balance sheet events

Please refer to note 17, *Events after the balance sheet date* of these financial statements.

Financial risk management

The Company's operations expose it to credit risk. The financial risk management of the Company is given in the Strategic Report on page 3.

PAYS Services UK Limited

Directors' Report

Directors

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

Elliott Wiseman
Marco Kreutzer
Aoife McNerney (Appointed on 1 April 2023)
Nicholas Walker (Resigned on 31 March 2023)
Paulette Rowe (Resigned on 13 May 2022)

Directors' indemnity insurance

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

Disclosure of information to the Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- as far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

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

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

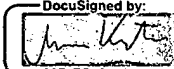
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

PAYS Services UK Limited

Directors' Report

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also 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.

Approved by the Board and signed on its behalf by:

DocuSigned by:

68717C168A73498...

Marco Kreutzer
Director
26 September 2023

Independent auditors' report to the members of PAYS Services UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of PAYS Services UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the significant accounting policies; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of PAYS Services UK Limited

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditors' report to the members of PAYS Services UK Limited

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- a. had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- b. do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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:

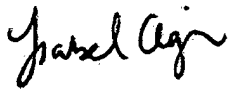
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

Independent auditors' report to the members of PAYS Services UK Limited

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.



Isabel Agius, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 September 2023

PAYS Services UK Limited

Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Revenue	4	36,418,081	26,952,219
Gross profit		36,418,081	26,952,219
Administrative expenses	6	(34,438,835)	(25,754,346)
Foreign exchange (loss)/gain		(50,752)	19,442
Impairment loss on financial assets	15	(858,821)	(147,531)
Operating profit		1,069,673	1,069,784
Gain on disposal of investment	10	990,820	—
Dividend income		1,829,539	1,424,575
Finance income		1,324,857	615,809
Finance costs		(276)	(99)
Losses on derecognition of financial assets	15	(174,669)	—
Profit before taxation		5,039,944	3,110,069
Income tax credit	7	625,536	505,931
Profit for the financial year attributable to owners of the Company		5,665,480	3,616,000

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

The notes on pages 13 to 26 form part of these financial statements.

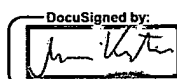
PAYS Services UK Limited**Statement of Financial Position**

As at 31 December 2022

	Notes	2022 £	2021 £
Non-current assets			
Property, plant and equipment	9	83	466
Investments in subsidiaries	10	—	1,246
Deferred tax asset	7	1,577,026	700,088
Amounts due from group companies	15	25,338,479	17,549,651
Total non-current assets		26,915,588	18,251,451
Current assets			
Cash and cash equivalents		145,116	24,538
Trade and other receivables	11	352,726	202,454
Prepaid expenses		448,624	345,054
Amounts due from group companies	15	15,998,788	15,805,548
		16,945,254	16,377,594
Total assets		43,860,842	34,629,045
Current liabilities			
Trade and other payables	12	4,234,761	2,863,346
Amounts due to group companies	16	49,646	6,419,207
Total liabilities		4,284,407	9,282,553
Net current assets		12,660,847	7,095,041
Total assets less current liabilities		39,576,435	25,346,492
Net assets		39,576,435	25,346,492
Equity			
Share capital	14	1	1
Capital contribution reserve	8	25,988,413	17,423,950
Retained earnings		13,588,021	7,922,541
Total equity		39,576,435	25,346,492

The notes on pages 13 to 26 form part of these financial statements.

The financial statements of PAYS Services UK Limited (No. 6907047) were approved by the board of directors and authorised for issue on 26 September 2023. They were signed on its behalf by:

DocuSigned by:


Director
 Marco Kreutzer

PAYS Services UK Limited**Statement of changes in equity**
For the year ended 31 December 2022

	Notes	Share Capital £	Retained Earnings £	Capital Contribution Reserve £	Total £
Balance at 1 January 2021		1	4,306,541	13,198,307	17,504,849
Profit for the year		—	3,616,000	—	3,616,000
Share based payment	8	—	—	4,225,643	4,225,643
Balance at 31 December 2021		1	7,922,541	17,423,950	25,346,492
Balance at 1 January 2022		1	7,922,541	17,423,950	25,346,492
Profit for the year		—	5,665,480	—	5,665,480
Share based payment	8	—	—	8,564,463	8,564,463
Balance at 31 December 2022		1	13,588,021	25,988,413	39,576,435

The notes on pages 13 to 26 form part of these financial statements.

PAYS Services UK Limited

Notes to the financial statements **For the year ended 31 December 2022**

1. General information

PAYS Services UK Limited (the Company) is a private company limited by shares incorporated in England and Wales. As at the reporting date, the registered office of the Company is at Floor 27, 25 Canada Square, London E14 5LQ. Subsequent to year end, on 24 April 2023, the registered office was changed to 2 Gresham Street, London, EC2V 7AD. The Company acts as a service company for the Paysafe Group and incurs costs centrally, before re-charging fellow group companies.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

Basis of preparation

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard as it relates to:

- IAS 7, 'Statement of cash flows';
- Paragraphs 134-136 of IAS 1, 'Presentation of financial statements' (Capital management disclosures);
- IFRS 7, 'Financial instruments: Disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of certain assets;
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group;
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Where relevant, equivalent disclosures have been made in the consolidated financial statements of Paysafe Limited.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the consolidated financial statements of Paysafe Limited (see note 16).

PAYS Services UK Limited

Notes to the financial statements **For the year ended 31 December 2022**

2. Significant accounting policies (continued)

The financial statements are prepared under the historical cost basis.

These financial statements are presented in Great Britain Pounds (£) which is the Company's functional currency.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The Company's activities, together with factors likely to affect its future development and position are set out in the Director's report.

The Board of Directors have reasonable expectation that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Paysafe Group and the Directors of the Company have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital reserves. The Paysafe Group, of which the Company is a part, has put in place measures to contain and proactively mitigate exposure to present and future risks stemming from economic and geopolitical uncertainties. These strategic initiatives includes diversification of market presence and the strategic development of new financial products and services. These actions collectively bolster the Group's resilience in navigating the challenging economic landscape.

Whilst the COVID-19 pandemic continues to have an impact on businesses globally, for the year ended 31 December 2022, there have been no material impact on our estimates and ability to continue to operate as a going concern. During the year, Paysafe Group's credit default risk has increased significantly since December 2021 which resulted in material impairment charges being recognized in the statement of comprehensive income. The increase in the Group's default rate was driven by the economic volatility and uncertainties linked to inflationary pressures. As part of management's review and the going concern assessment, the factors that have led to the impairment are considered to be external to the Company and do not affect the Company's ability to continue as a going concern.

Furthermore, the Company generated a net profit after tax of £5,665,480 for the year (2021: £3,616,000) and continued to maintain a positive net asset position of £39,576,435 at 31 December 2022 (2021: £25,346,492).

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Revenue recognition

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

Dividend

Dividend income

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

PAYS Services UK Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Significant accounting policies (continued)

Dividend (continued)

Dividend distribution

Dividend distributions to the Company's shareholders are recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Finance income/(cost)

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. For financial assets that have been impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer impaired, the interest income calculation reverts to the gross carrying amount.

Interest expense is accrued on a monthly basis by reference to the principal outstanding and at the effective interest rate applicable, and it is recognized in profit or loss for the period. Interest expense is derived from loans with other group companies.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments excluding expected credit losses for debt financial assets, through the expected life of the debt instrument, or, where appropriate, a shorter period to the gross carrying amount on initial recognition. Income or expense is recognized on an effective interest basis for debt instruments other than those financial assets and liabilities classified at fair value through profit or loss.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the year.

Current and deferred tax

The tax expense for the period represents the sum of the tax currently payable and deferred tax. Current and deferred taxes are recognized in profit or loss, except to the extent that they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

PAYS Services UK Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Significant accounting policies (continued)

Current and deferred tax (continued)

Current tax

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

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, on the following basis:

Communication equipment	2 years
Fixture, fittings, furniture and equipment	3-5 years
Computer equipment	3-5 years

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

PAYS Services UK Limited

Notes to the financial statements

For the year ended 31 December 2022

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Impairment of non-financial assets

Impairment losses are recognized in the Statement of Comprehensive Income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Financial Instruments

The Company classifies its financial assets at amortized cost.

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently measured at amortized cost using the effective interest rate method, less expected credit loss allowances in accordance with IFRS 9. Financial assets at amortized cost include cash and cash equivalents, trade receivables, other receivables, and amounts receivable from related parties. The objective of a business model for these assets is to collect the contractual cash flows that are solely payments of principal and interest.

Financial liabilities designated at amortized cost are initially measured at their fair value (net of any issue costs for loans and borrowings) and subsequently measured at their amortized cost using the effective interest rate method. They include trade and other payables and amounts owed to related parties.

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.

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

2. Significant accounting policies (continued)

Expected Credit Loss (ECL)

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost, including intercompany receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. To assess whether there is a significant increase in credit risk, the Company considers whether all of the three criteria are met: 1). movement in the risk of default on the related financial asset as at the reporting date by at least 2x compared with the risk of default as at initial recognition; 2). more than 30-days past due in making a contractual interest payment; 3). downgrade of Paysafe Group's credit rating. The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company considers a financial asset in default (and credit impaired) when the payment is 90-days past the contractual due date. However, in certain cases, the Company also considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is generally written off when there is no reasonable expectation of recovering the contractual cash flows.

Share-based payments

The Company participates in an equity-settled share-based compensation plan of the Paysafe Group, under which certain executives and senior managers of the Company are issued equity-based awards in consideration for their employee service.

On 1 June 2021, the Company adopted a new plan ("2021 Plan") authorizing the issuance of equity-based awards, to certain employees of Paysafe Group in consideration for their employee services and performance. Under the 2021 Plan, restricted stock units ("RSUs") that have a service condition only, generally vest over three years. Performance restricted stock units ("PRSUs") generally vest at the end of one or three years. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. In valuing equity-settled share-based payments, no account is taken of any vesting conditions other than conditions linked to the group equity value (market conditions).

The fair value determined at the grant date is expensed over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for share-based payments at each reporting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest (or in the case of a market condition, be treated as vesting). As the Company's share-based payments involve equity instruments of the ultimate parent company, Paysafe Limited, the movement in cumulative expense since the previous reporting date is recognized in the income statement with a corresponding entry in equity as a capital contribution.

The Company accounts for share-based payments in accordance with IFRS 2. The conditions under which certain PRSUs were granted require the awards to be classified as a liability as the value of the award is fixed and will be settled in a variable number of shares. The liability is classified as current liability within the Statements of Financial Position based on the expected timing of the redemption of shares.

PAYS Services UK Limited

Notes to the financial statements **For the year ended 31 December 2022**

2. Significant accounting policies (continued)

Share capital

Share capital represents the par value of shares issued. The proceeds from issued capital above share par value, if any, are recorded as share premium.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and all liquid investments with a maturity of three months or less when purchased.

Offsetting

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

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

Adoption of new and revised Standards

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB), applicable for the Company:

Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use adopted by the UK Endorsement Board on April 12, 2022 (effective for annual periods beginning on or after January 1, 2022);

Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts – Cost of Fulfilling a Contract adopted by the UK Endorsement Board on April 12, 2021 (effective for annual periods beginning on or after January 1, 2022);

Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the UK Endorsement Board on April 12, 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

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

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Expected Credit Losses (ECL) on intercompany receivables

The key assumptions in determining the ECL on intercompany receivables comprise the probability of default and an assessment of the loss given default. There is also judgment required to assess whether there has been a significant increase in the credit risk (SICR) since inception of the receivables based on information available at the time of the assessment. Based on the management's disclosed SICR policy in Note 2, there is no significant increase in the credit risk on these financial assets subsequent to the reporting date, and they remain in Stage 1 (12-month ECL) at 31 December 2022 (31 December 2021: Stage 1).

The ECL allowance in the amount of £1,006,352 (2021: £147,531) represents management's best estimate as at 31 December 2022. Sensitivity analysis shows that should the financial assets move to Stage 2 (lifetime default rate) the ECL allowance would increase by £1,163,160.

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

4. Revenue

Turnover is generated by providing human resource services and marketing to other group companies.

5. Auditor's remuneration

Auditor's remuneration amounts to £39,000 (2021: £30,000) and are included under legal and professional fees in the administrative expenses (note 6). No non-audit services were provided.

6. Administrative expenses

Administrative expenses consist of:

	2022 £	2021 £
Staff costs	29,378,102	22,278,246
Other staff costs	1,514,352	395,339
Legal and professional fees	1,468,232	669,432
Software and licences	685,759	721,134
IT costs	490,961	748,258
Marketing	290,827	392,089
Restructuring and Acquisition costs	254,466	304,180
Irrecoverable VAT	200,153	137,853
Other costs	83,032	107,815
Recharges from related parties (i)	72,951	—
	34,438,835	25,754,346

(i) Charges from related parties include charges for outsourced services and recharge of third party costs.

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

7. Tax

	2022 £	2021 £
Current income tax		
Current income tax arising from the current period	251,402	—
	251,402	—
Deferred tax		
Origination and reversal of temporary differences	(624,638)	(306,174)
Impact of tax rate change	(210,461)	(155,521)
Adjustment for prior period	(41,839)	(44,236)
Total Deferred tax for the year	(876,938)	(505,931)
Income tax benefit for the year	(625,536)	(505,931)

UK corporation tax has been charged at 19% (2021: 19%). Deferred tax is calculated based on the substantively enacted 25% tax rate effective from 1 April 2023.

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced in the March 2021 Budget and substantively enacted on 24 May 2021. This will increase the future rate at which the Company pays tax accordingly. Where relevant, deferred tax assets and liabilities as at 31 December 2022 are calculated based on the 25% rate, with a blended rate applied where it is known that the associated temporary difference will reverse prior to 1 April 2023.

The total tax on profit for the year can be reconciled to the profit in the income statement as follows:

	2022 £	2021 £
Profit before tax	5,039,944	3,110,069
Tax expense at the UK corporation tax rate of 19% (2021: 19%)	957,589	590,913
Non-taxable dividend income	(347,612)	(270,670)
Tax effect of expenses that are not deductible in determining taxable profit	527,420	480,020
Gains and losses not subject to tax	163,176	36,244
Group relief utilised	(1,784,722)	(1,142,681)
Effect of different tax rates between current and deferred tax	(210,461)	(155,521)
Foreign tax rate difference	110,913	—
Adjustment for prior period	(41,839)	(44,236)
Income tax credit for the year	(625,536)	(505,931)

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

7. Tax (continued)

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

	Statement of financial position		Statement of comprehensive income	
	2022	2021	2022	2021
	£	£	£	£
Accelerated depreciation/amortisation for accounting purposes	253,862	253,579	(283)	(69,960)
Pension scheme contributions	—	15,552	15,552	(5,014)
Share based compensation	1,302,681	430,957	(871,724)	(430,957)
Unpaid pension scheme contributions	20,483	—	(20,483)	—
Deferred tax credit			(876,938)	(505,931)
Deferred tax asset	1,577,026	700,088		

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
The average number of persons employed (including Directors)	178	165
	178	165

	2022 £	2021 £
Wages and salaries	14,555,987	13,222,564
Stock options expense	10,329,513	4,225,643
Social security costs	2,043,799	1,781,233
Severance costs	1,291,779	117,010
Pension costs (note 13)	878,475	819,629
Accrued bonuses	278,549	2,112,167
	29,378,102	22,278,246

For year ended 31 December 2022, the Company recognised total expense of £10,329,513 (2021: £4,225,643) related to share-based payment transactions, of which £8,564,463 was reported as capital contribution reserve in the Statement of Changes in Equity, net of the shares withheld for taxes amounting to £942,422 which was fully settled as at year end, and the remainder pertains to liability for share based compensation amounting to £840,605 included under the Payroll liabilities in note 12.

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

8. Staff costs (continued)

Information on the scheme to which the Company's expense in 2022 relates to can be found in the financial statements of Paysafe Limited.

The directors emoluments were as follows:

	2022 £	2021 £
Directors' fee and other emoluments	1,710,218	3,129,755
Other pension contributions	33,509	34,773
	1,743,727	3,164,528
Remuneration of highest paid director	812,608	1,579,487
Director's fee and other emoluments	790,272	1,579,487
Other pension contributions	22,336	—
	812,608	1,579,487

9. Property, plant and equipment

	Computer Hardware £	Fixtures and Fittings £	Comm. Equipment £	Other Equipment £	Computer Software £	Total £
Cost						
At 1 January 2022	108,642	1,820,330	32,747	5,218	185,457	2,152,394
At 31 December 2022	108,642	1,820,330	32,747	5,218	185,457	2,152,394
Accumulated depreciation						
At 1 January 2022	108,642	1,819,864	32,747	5,218	185,457	2,151,928
Charge for the year	—	383	—	—	—	383
At 31 December 2022	108,642	1,820,247	32,747	5,218	185,457	2,152,311
Carrying amount						
At 31 December 2022	—	83	—	—	—	83
At 31 December 2021	—	466	—	—	—	466

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

10. Investments in subsidiaries

	£
Cost	
At 1 January 2022	1,246
Additions	—
Disposals	(1,246)
At 31 December 2022	—
Carrying amount	
At 31 December 2022	—
At 31 December 2021	1,246

In June 2022 the sole remaining subsidiary of the Company, Pays Services India LLP, was sold to an external party leading to the disposal of the investment and recognition of £990,820 gain.

11. Trade and other receivables

	2022 £	2021 £
Other receivables	276,125	24,752
Sales tax receivable	76,601	177,702
	352,726	202,454

12. Trade and other payables

	2022 £	2021 £
Payroll liabilities	3,414,048	2,598,955
Accruals	698,392	211,616
Trade payables	117,205	46,504
Other payables	5,116	6,271
	4,234,761	2,863,346

PAYS Services UK Limited

Notes to the financial statements For the year ended 31 December 2022

13. Retirement benefit

Pension scheme

The Company operates a defined contribution pension scheme. Payments to defined contribution plans are recognised as an expense when employees have rendered the service entitling them to the contributions. Contributions during the year amounted to £878,475 (2021: £819,629).

14. Share capital

Authorised:

1,000 ordinary shares of £ 1 each

Allotted and fully paid:

1 ordinary shares of £ 1 each

2022 £	2021 £
1,000	1,000
1	1

The Company has one class of ordinary shares which carry no right to fixed income.

15. Related party balances

The Company has the following balances with related parties:

Amounts due from other group companies (current)

Subsidiaries

Other group companies

2022 £	2021 £
—	156,168
15,998,788	15,649,380
15,998,788	15,805,548

Amounts due from other group companies (non-current)

Other group companies

2022 £	2021 £
25,338,479	17,549,651

Amounts due to other group companies (current)

Immediate parent company

Subsidiaries

Other group companies

2022 £	2021 £
—	6,352,972
9,430	—
40,216	66,235
49,646	6,419,207

PAYS Services UK Limited

Notes to the financial statements

For the year ended 31 December 2022

15. Related party balances (continued)

Intercompany loan amounting to £174,669 due from a subsidiary which was sold during the year (note 10) was waived and derecognized resulting in the recognition of the loss for the same amount.

Related party receivables are stated after provisions for impairment of financial assets of £1,006,352 (2021: £147,531).

The Company provided a loan to Paysafe Holdings UK limited. The balance outstanding at the balance sheet date was £25,338,479 (2021: £17,549,651). This loan is repayable on 1 November 2026 and accrues interest at 4% + SONIA.

Remainder of the outstanding receivable balance relates to trade and other receivables which are based on the contractual terms. Outstanding balances at year end are unsecured and interest free £15,998,788 (2021: £15,805,548).

Intercompany payable to immediate parent company refer to trade and other payables which are based on the contractual terms. Outstanding balances at year end are unsecured and interest free £nil (2021: £6,352,972).

16. Controlling party

At year-end, the immediate parent company is Paysafe Group Limited, a company incorporated in Isle of Man. Subsequent to year-end, Paysafe Holdings UK Limited became the Company's immediate parent (refer to Note 17). The Company's ultimate parent company is Paysafe Limited, a company incorporated in Bermuda and trading on the New York Stock Exchange (NYSE) under the symbol "PSFE" from 31 March 2021. There is no ultimate controlling party of the Company.

The Company's results are consolidated into the ultimate parent company Paysafe Limited. Copies of the consolidated financial statements of Paysafe Limited are available at the principal executive office at 2 Gresham Street, London, EC2V 7AD.

17. Events after the balance sheet date

As part of the Paysafe Group's legal entity rationalisation exercise to simplify the group structure, subsequent to year end on 31 January 2023, Paysafe Group Limited transferred its interest in the Company to Paysafe Holdings UK Limited in exchange for 2 ordinary shares. No change in ultimate controlling party and no material impact from this transaction is expected.

Other than the above and those disclosed in Note 1, there are no other significant or material events that have occurred after the reporting date which might require adjustments or disclosures in the Company's financial statements for the year ended 31 December 2022.